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BUDGET
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On track for a brighter future

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British Columbia
Ministry of Finance

On Track for a Balanced Budget

With its first full budget in February 2002, the provincial government introduced a three-year plan with three goals: to restore sound fiscal management, revitalize the economy and put patients, students and people in need first.

The plan is working. In 2002-03, every government ministry is forecast to be within its budget. The deficit for the year is expected to be $600 million lower than originally planned.

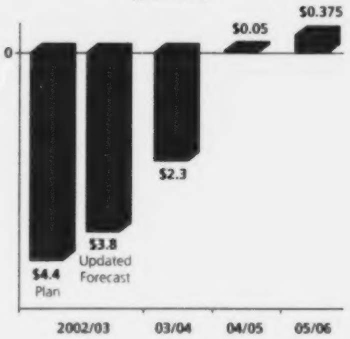
The economy has grown at almost three times the rate anticipated by independent forecasters. During 2002, the province created almost 78,000 jobs while enjoying booming residential construction and housing sales. And administrative and other efficiencies have meant more dollars for patient care and student achievement.

As a result of improved economic growth and strong fiscal management, the government is on track to:

- Balance the budget in 2004-05.
- Increase the Ministry of Education budget by $143 million over the next three years.
- Direct an additional $1.3 billion in expected three-year federal funding to meet the health care needs of British Columbians.
- Invest $650 million of new, dedicated fuel-tax revenues in transportation infrastructure over the next three years.

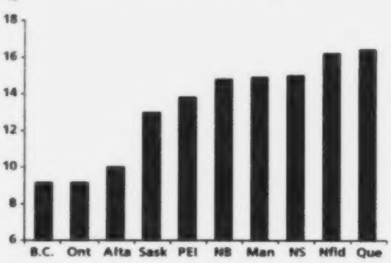
Balancing the Budget

($ Billions)



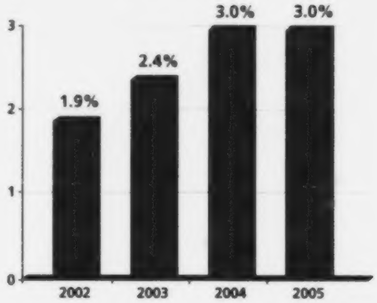
B.C.'s Income Taxes are Lowest

2003 Personal Income Tax Rates
On Income up to $60,000



A Growing Economy

% Growth in GDP



Strong Fiscal Management

In 2002/03, every government ministry will be within its operating budget, due to reductions in debt servicing, administration and other costs. Within ministries, $112 million in savings have been reallocated to meet priority needs that benefit patients, students and people in need.

Responsible debt management is a key government priority. The 2002/03 budget forecast $920 million for debt-service costs — money needed to manage the public debt — but the 2002 third quarter forecast shows that debt-service costs are almost $200 milllion lower than anticipated.

Taken together, government's prudent fiscal management and lower debt-service costs have freed up almost $400 million in total program savings. Some of that funding is being used to help our forest sector make the transition to a sustainable future.

Ministry Spending
($ millions)

	2002/03		2003/04
	Budget Estimate	Updated Forecast	Budget Estimate
Advanced Education	1,899	1,899	1,899
Agriculture, Food and Fisheries	64	64	49
Attorney General	558	540	506
Children and Family Development	1,587	1,587	1,451
Community, Aboriginal and Women's Services	653	642	665
Competition, Science and Enterprise	51	49	115
Education	4,860	4,860	4,860
Energy and Mines	52	52	57
Finance	58	58	55
Forests*	621	621	565
Health Planning	23	23	24
Health Services	10,186	10,186	10,185
Human Resources	1,672	1,519	1,417
Management Services	56	56	47
Premier's Office	47	45	52
Provincial Revenue	51	44	50
Public Safety and Solicitor General	509	509	507
Skills, Development and Labour	29	26	26
Sustainable Resource Management	117	117	92
Transportation	735	735	834
Water, Land and Air Protection	149	149	130

* Excludes a $275-million, one-time provision for forest restructuring.

More Resources for Students

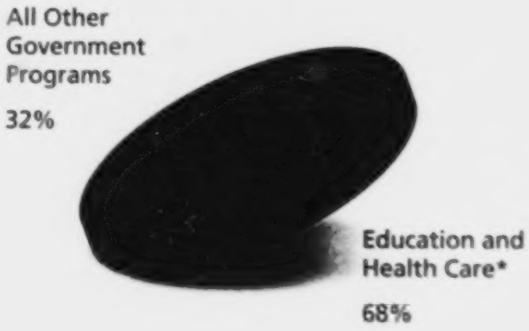
Together with health care, education is our government's top priority. That's why, even as enrolments decline, we will maintain the $4.8-billion education budget and increase it by $143 million over the next three years. This will ensure more money is in the system for every student.

The government will also provide a total of $85 million in one-time funding for education, advanced education and early childhood development in 2002-03. This will include $50 million for school districts to meet local priorities of the students they serve. This is in addition to a similar one-time grant of $42 million that was provided last year.

Post-secondary students are benefiting, too. In the past 20 months, we have committed almost $900 million to advanced education and research projects, including:

- $150 million to double the number of computer science, electrical and computer engineering graduates over five years.
- $175 million for research projects.
- $95 million for New Technology facilities.
- $45 million to create 20 B.C. Leading Edge Chairs in partnership with the private sector.
- $7.5 million for B.C. Regional Innovation Chairs at the college level.

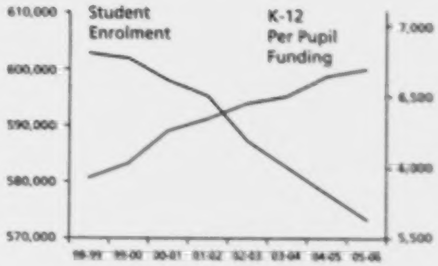
Where Your Money is Going



2003/04 Consolidated Revenue Fund ($25 Billion)

** Excludes an estimated $325 million in new health funding that will result from the First Ministers' Accord on Health Care Renewal.*

Increased Education Spending Despite Declining Enrolment



Per pupil funding increased by $923 from 1998/99 to 2005/06

Investing in Patient Care

As part of our government's commitment to put patients first, we increased health spending in 2002-03 by 12 per cent — $1.1 billion — to $10.4 billion.

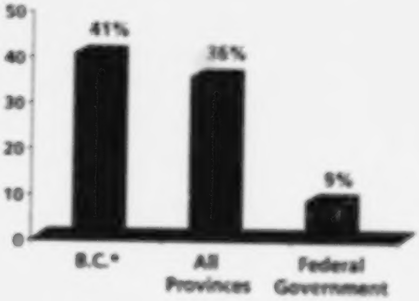
We've also embarked on a wide-ranging plan of renewal, to better manage resources, increase efficiency and ensure every dollar goes to meet patients' needs. As a result of those changes:

- 538 more nurses were able to practice in B.C. in 2002 than in 2001.
- B.C. is moving towards increasing its complement of new doctors. The government's fiscal plan will help to ensure that by 2009, B.C. universities will be graduating almost twice as many doctors as they do today.
- Forgivable student loans for students who become health practitioners in B.C.'s heartlands will increase access to new health student spaces and help meet regional staffing needs.
- Within the health ministries, administrative costs will have been reduced by approximately 45 per cent by 2004-05.

The changes announced in Budget 2003 — plus every dollar of the expected $1.3 billion in new, three-year federal health funding — will further modernize public health care, moving us towards a sustainable, patient-centred system for future generations.

Health Care is Important in B.C.

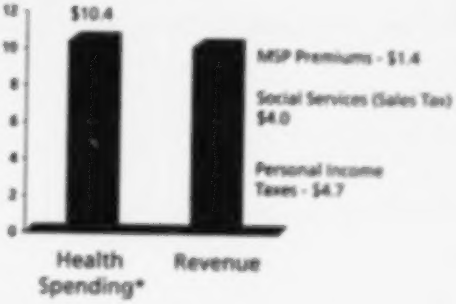
(percentage of total 2002/03 budget)



** Excludes an estimated $325 million in new health funding that will result from the First Ministers' Accord on Health Care Renewal.*

Health Spending Exceeds Major Tax Revenues 2003/04

($ billions)



** Excludes an estimated $325 million in new health funding that will result from the First Ministers' Accord on Health Care Renewal.*

Opening up the Heartlands

A modern, effective transportation system is key to revitalizing our economy.

That's why our government has launched a three-year transportation plan. The government will commit $650 million and expects to leverage another $1.7 billion from the federal government and other partners.

This program will allow for improvement to our highways, bridges, ports and other infrastructure. Long-term priorities include much-needed safety improvements to the Kicking Horse Canyon and the Sea-to-Sky Highway.

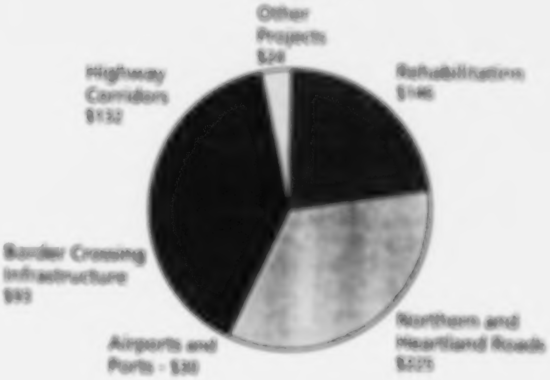
Other priorities include building a new Okanagan Lake Bridge at Kelowna, retaining the toll-free inland ferry system, expanding Cranbrook Airport to open up the Kootenays and containerizing the port in Prince Rupert.

Budget 2003 will support:

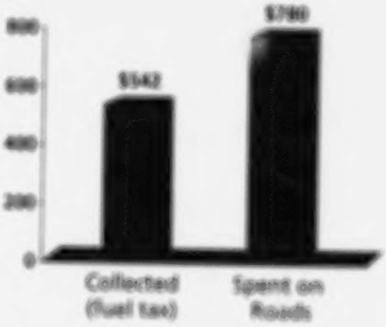
- $30 million for airports and ports.
- $93 million in border crossing infrastructure.
- $132 million for highway corridors.
- $225 million for northern and heartland roads.
- $146 million for rehabilitation.
- $24 million for other projects.

Every penny of the 3.5-cent-per-litre increase in provincial fuel tax will be dedicated to supporting the transportation plan.

$650 Million in Transportation Improvements Over 3 Years
($ millions)



B.C. Spends More Than It Collects on Transportation
($ millions in 2001/02)



Revitalizing Our Forest Industry

Forestry is B.C.'s number-one industry — and the government is committed to revitalizing it and offering new hope to forest companies, workers and communities.

Reforms introduced to date include the new results-based Forest and Range Practices Act; investment in international marketing, product development and research; and a proposal to designate a portion of B.C.'s land base as working forest.

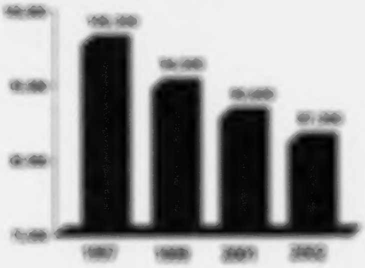
Changes in the year ahead will include tenure policy reform and moving to market-based timber pricing.

Budget 2003 will support these significant changes in B.C.'s approach to forestry, with:

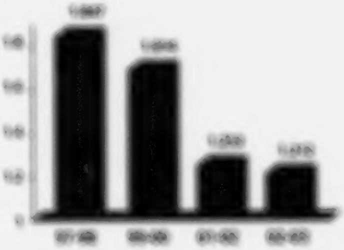
- $275 million in fiscal 2002-03 to assist B.C's forest workers, communities and companies in the transition to a more competitive, sustainable forest industry.
- $95 million over three years for potential revenue sharing opportunities to increase First Nations' participation in the forest economy.

Forestry Reforms Are Vital

13,000 Jobs Disappeared Between 1997 and 2002...



... While Forest Revenues Shrunk by One-Third ($ billions)



Strengthening Our Economy

Government's new B.C. Heartlands Economic Strategy will open up new opportunities for economic growth throughout the province.

B.C. needs competitive taxes and sensible regulation to attract and retain investors, companies and skilled workers — the building blocks of a strong economy, and the generators of government revenues necessary to sustain health care, education and other services.

Building on the government's commitment to maintain a competitive tax system, Budget 2003:

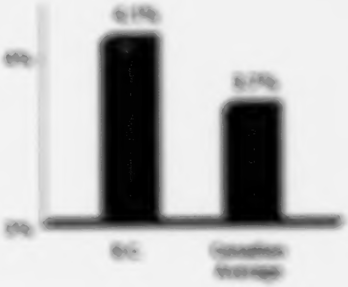
- Introduces tax changes to promote growth in companies involved in New Media and book publishing.
- Provides additional incentives for regional television and film projects, digital animation and visual effects.
- Extends the B.C. mineral exploration tax credit, which has contributed to a twenty-five per cent increase in exploration since the spring of 2001, for another three years.
- Expands the labour-sponsored venture capital program, increasing the budget for tax credits to $16 million from $12 million, allowing a third fund to operate in the province.
- Expands the bunker fuel tax exemption to include fuel used in gas-turbine-powered ships, used in the cruise-ship industry.

These targeted tax changes will be worth $29 million annually by 2004-05.

Since June 2001, the government has provided 27 tax-relief measures with a net benefit of about $900 million to individual British Columbians and more than $350 million to businesses.

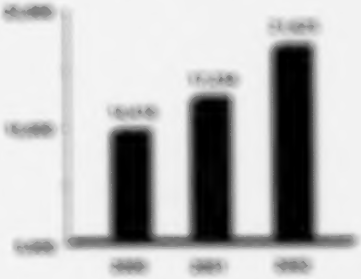
B.C. a Leader in Job Creation

Employment Growth in 2002



Housing is Booming in B.C.

(Housing starts)



Strengthening Our Economy

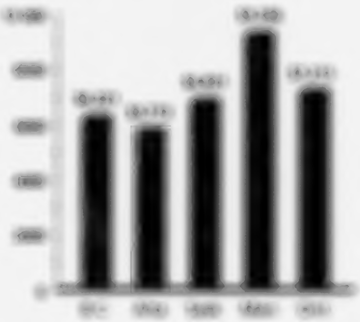
Sector-specific tax changes in Budget 2003 — combined with the impact of dramatic personal and business tax cuts since June 2001 — will position B.C. for further improvement in its investment climate.

The province's economy is expected to grow by 2.8 per cent in 2003 — increasing to three per cent in 2004 and 2005.

2003 Provincial Taxes[1]

Family of Four

($60,000)

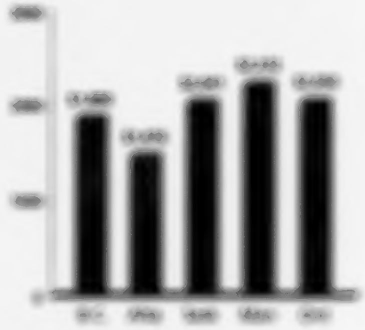


[1] Includes provincial income tax (including net child benefits), property tax, sales tax, fuel tax, provincial direct taxes, health care premiums/payroll tax.

2003 Provincial Taxes[1]

Single Individual

($25,000)

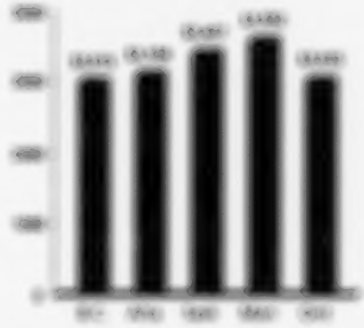


[1] Includes provincial income tax, property tax, sales tax, fuel tax, provincial direct taxes, health care premiums/payroll tax.

2003 Provincial Taxes[1]

Senior Couple

($30,000)



[1] Includes provincial income tax, property tax, sales tax, fuel tax, provincial direct taxes, health care premiums/payroll tax.

Meeting Family and Community Needs

As B.C. sticks to its plan, revenues grow and sound fiscal management is restored, the government will be able to devote affordable, sustainable funding increases to priority services for British Columbians.

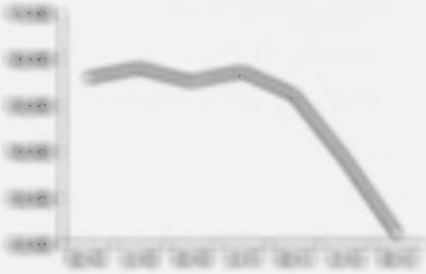
This year, the government will continue to assist community organizations by maintaining [illegible] top-up grants over the next three years. Further consultations will be held to find a fair and equitable approach to policing rural areas and communities with fewer than 5,000 residents.

Budget 2003 will also provide:

- funding to increase the number of child care spaces eligible for subsidy assistance by 10 per cent in the coming year;
- in 2002/03, $10 million to create a new Early Childhood Partnership Fund with the United Way and Credit Union Central B.C.;
- $110 million for employment programs for people in need over the coming year;
- an increase, to $400 per month, in the earnings exemption for people with disabilities;
- up to $11 million per year in additional funding for intervention for school-aged children with autism spectrum disorder.

Income Assistance

Number of Caseloads



Income Assistance Caseloads are Dropping

- Today, there are [illegible] fewer British Columbians dependent on income assistance than there were in July 2001.
- Exit surveys show that [illegible] per cent of those leaving income assistance have done so for employment/educational opportunities or because they have other sources of income.
- The majority — [illegible] per cent — found paid employment and are generally earning [illegible] than they were on income assistance.

On track for:

○ Balancing the budget in 2004/05
○ More resources for students
○ Additional support for patient care
○ Better transportation infrastructure
○ A revitalized forest industry
○ A stronger, more competitive economy
○ A brighter future

For complete details of [illegible] Budget 2003 and the three-year fiscal plan [illegible] you, visit: www.bcbudget.gov.bc.ca

British Columbia
Ministry of Finance

British Columbia
Ministry of Finance

BUDGET 2003 IN BRIEF

BUDGET 2003 in BRIEF

On Track for a Brighter Future

With its first full budget in February 2002, the provincial government introduced a three-year plan with three goals: to restore sound fiscal management, revitalize the economy and put patients, students and people in need first.

The plan is working. For 2002/03, the deficit is forecast to be $600 million lower than originally planned, while in 2002, the economy will have grown at almost three times the rate anticipated by independent forecasters. B.C.'s economy is expected to grow 2.4 per cent in 2003 and three per cent in each of the following two years.

As a result of prudent spending control and sticking to its fiscal and economic plan, the government is on track to:

- Balance the budget in 2004/05.
- Increase the overall education budget by $143 million over the next three years.
- Direct an additional $1.3 billion in expected three-year federal funding to meet the health care needs of British Columbians.
- Invest $650 million of new, dedicated fuel-tax revenues in transportation infrastructure over the next three years.
- Achieve a significantly lower level of debt than anticipated in the 2002 budget and fiscal plan.

RESTORING SOUND FISCAL MANAGEMENT

Keeping Spending Under Control

- In 2002/03, every government ministry will be within its operating budget.
- In addition, the provincial debt is $3.5 billion lower than anticipated a year ago.
- Government's prudent fiscal management and lower debt-service costs have freed up almost $400 million in total program savings, some of which will be used to help our forest sector make the transition to a sustainable future.

Balancing the Budget in 2004-05

- Overall, government is forecast to be under budget by about $600 million in 2002/03.
- In 2003/04, government revenues are forecast to rise by over $1 billion, while spending declines by $675 million, leading to a deficit of $2.3 billion after including a $500-million forecast allowance.
- In 2004/05, revenues are expected to rise by almost $1.3 billion, while spending falls $565 million, resulting in a year-end surplus of $50 million.
- In 2005/06, the government expects a $375 million surplus — after funding lifts for education, advanced education, social services and early childhood development.

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REVITALIZING THE ECONOMY

Tax Changes for Growth and Diversification

- Budget 2003 includes sector-specific tax changes to further the growth and diversification of B.C.'s economy:
- A $5-million increase in venture capital tax credits will attract as much as $17 million a year in new investment in New Media companies, one of B.C.'s fastest-growing high-tech industries.
- A 15 per cent top-up tax credit for productions using digital animation and visual effects, worth $5 million, will help this emerging sector grow.
- Regional tax credits for television and film projects will expand.
- A $2.3-million tax credit will strengthen the book publishing industry.
- The budget for tax credits under the labour-sponsored venture capital program will grow by $4 million and generate up to $27 million a year in new investments.
- A rise in the threshold for corporation capital tax paid by B.C.'s small trust companies and credit union — to $10 million from $5 million — will save them a total of $2 million a year.
- The B.C. mineral exploration tax credit is extended for another three years to 2006. The province will also match any extension to the federal mining flow-through share tax credit, which Ottawa is currently reviewing.
- To help make B.C. a more attractive port of call for cruise ships, fuel used in gas-turbine-powered ships will be included in the bunker fuel tax exemption.
- These targeted tax changes will be worth a total of $29 million a year by 2004/05.

Opening Up B.C.'s Heartlands to Economic Growth

- Opening up the province — to all British Columbians and to the world — is a central strategic imperative.
- The government will complete and implement economic development plans across the province, incorporating plans for infrastructure, human capital and marketing.
- In addition, the B.C. Heartlands Economic Strategy will open up increased opportunities in energy development, new partnerships with First Nations, new investments in transportation infrastructure, new opportunities for tourism, sport and recreation from a successful Olympics bid, and a revitalized forest industry.

Opening Up the Heartlands Through Transportation

- The government will dedicate $650 million over the next three fiscal years to transportation improvements that will open up B.C. to new opportunities for growth and prosperity.
- The largest share, $225 million, will go into northern and heartland roads, which account for over 70 per cent of B.C.'s highway inventory.
- Other investments will include $30 million in ports and airports, $93 million for border crossing infrastructure and $132 million toward major highway corridors. Priority projects under the new transportation plan include a new bridge across Okanagan Lake at Kelowna and upgrading of the Trans-Canada Highway through the Kicking Horse Canyon east of Golden.
- The government will also invest $170 million in other improvements, including highway rehabilitation, and to keep the inland ferry system toll-free.
- The transportation plan investments will not increase overall public debt. Some of the plan funding will come from federal contributions. British Columbians pay the federal government $750 million a year in fuel tax.
- Other funding will come from tolls where appropriate, private-sector involvement in public-private partnerships, and a 3.5-cent-per-litre increase in provincial fuel tax dedicated to transportation improvements.

- The government will use its $650-million contribution to leverage an anticipated $1.7 billion in additional investments to help finance improvements to roads, bridges and border crossings that will benefit all British Columbians.

Revitalizing Our Forest Industry

- Budget 2003 builds on steps the province has taken to foster a leading-edge forest industry.
- The government has set aside $275 million in one-time funding in 2002/03 to assist in the transition to a revitalized and sustainable forest sector. This is a one-time restructuring cost over and above the operating targets covered by balanced-budget legislation.
- The government is also committed to increasing First Nations' participation in the forest economy. The government is committing up to $95 million over the next three years for potential revenue-sharing opportunities to increase participation in the forest economy.
- These initiatives will build on measures the province has already introduced to foster a leading-edge forest industry, including the new results-based Forest and Range Practices Act and a proposal to designate about 48 per cent of B.C.'s land base as working forest.

Construction to Promote Economic Development

- Budget 2003 devotes $103 million over three years to the province's bid to host the 2010 Winter Olympics. The Games could add more than $4 billion to the province's gross domestic product by 2020.
- For the next three years, the government is budgeting a total of $199 million of its $230-million commitment toward expansion of the Vancouver Convention and Exhibition Centre, which could add as much as $5 billion to B.C.'s GDP over the centre's life.

PUTTING PATIENTS, STUDENTS AND PEOPLE IN NEED FIRST

Preserving the Health Services Budget

- The government increased health spending in 2002/03 by 12 per cent — $1.1 billion — to $10.4 billion.
- In 2002/03, the Michael Smith Foundation will receive an $8-million grant to conduct research to improve the effectiveness of health-care reforms; health authorities will receive $15 million in grants to support the development of electronic-record systems.
- B.C. is moving towards increasing its complement of new doctors. The government's fiscal plan will help to ensure that by 2009, B.C. universities will be graduating almost twice as many doctors as they do today.
- A $2-per-carton increase in tobacco tax should help encourage more people to quit smoking, thereby taking some pressure off the health system.
- Every penny of the $1.3 billion in new federal funding will be used over the next three years to improve the health of British Columbians.

Increasing Education Funding Per Student

- Although enrolment is declining, the budget for the Ministry of Education remains unchanged at $4.8 billion, which will mean an extra $51 for every student in the coming year.
- This is in addition to the one-time funding of $50 million that was allocated directly to school boards before the budget.
- Excluding one-time funding, the annual budget for the Ministry of Education will increase by $143 million by 2005/06 — $243 per student more than in 2002/03.

- To help fund the education budget, average residential school and rural property taxes will be increased by inflation in 2003 and future years. The total residential and school property tax raised in 2003/04 will be equal to 12 per cent of the education budget.
- The Ministry of Children and Family Development will continue to offer school-based programs like school meals and inner-city school funding, which are geared to helping children in need succeed in the classroom.

Funding Leading Edge Post-Secondary Education

- In 2002/03, the Ministry of Advanced Education will target $23 million in one-time funding to programs to enhance research in B.C.
- Of this, $18 million will be targeted to the Leading Edge Endowment Fund, a partnership with the private sector. This will fulfil, two years ahead of schedule, the government's $45-million commitment to fund 20 B.C. Leading Edge Chairs across the province, in medical, social, environmental and technological research.
- An additional $7.5 million will fund six new B.C. Regional Innovation Chairs in the college sector.
- One-time funding will also support advancing the province-wide B.C. Campus online learning model and accelerate the medical school expansion program under way at University of British Columbia, University of Northern British Columbia and University of Victoria. Both of these initiatives will help to make higher education more accessible to students across the province.
- The Ministry of Advanced Education will receive an annual budget lift of $30 million starting in 2005/06.

Supporting Families and Communities

- Before the end of 2002/03, the government will invest $10 million in an Early Childhood Partnership Fund with the United Way and Credit Union Central B.C.
- In 2003/04, the government will invest up to $11 million per year for intervention for school-aged children with autism spectrum disorder.
- The number of childcare spaces eligible for subsidy assistance in the coming year will increase by 50 per cent.
- Employment programs for people in need will receive $110 million in 2003/04.
- The earnings exemption for people with disabilities who receive income assistance will increase to $400 a month, starting this spring.
- Charity top-up grants to assist community organizations will continue over the next three years.
- The government will delay the move to have the province's rural areas and communities with populations under 5,000 begin to pay a share of their policing costs, pending further consultations to find a fair, equitable approach.
- In 2005/06, the Ministry of Children and Family Development will receive a budget lift of $23 million and the Ministry of Human Resources, $45 million.

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For more details on this year's budget, visit www.bcbudget.gov.bc.ca online.

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Public Affairs Officer
Tel: 250 356-2821

British Columbia
Ministry of Finance

BUDGET 2003 NEWS RELEASE

BUDGET 2003 SHOWS B.C. ON TRACK, ON TARGET

VICTORIA — Budget 2003 shows the government's fiscal plan is on track and ahead of schedule, Finance Minister Gary Collins said today as he released B.C.'s 2003/04 budget and updated fiscal plan.

"The plan is working," said Collins. "The tough decisions we've made since we took office haven't always been easy, but our path is clear and our determination to stay the course means British Columbians are realizing the benefits of that fiscal discipline."

In fiscal 2002/03, every government ministry is forecast to come in within its operating budget, and the deficit is expected to be $600 million lower than originally planned. The debt is expected to be $3.5 billion lower than anticipated a year ago.

"As our prudent approach to managing taxpayers' dollars is beginning to pay immediate dividends, we are able to free up more resources to encourage further growth and investment, and to continue meeting our priorities — putting patients, students and people in need first."

These strategic investments in priority programs are taking place within the context of government's overall fiscal plan, and while keeping the province on track for a balanced budget in 2004/05.

In 2002, B.C.'s economy grew by nearly two per cent. It's expected to grow by 2.4 per cent in 2003 and three per cent in 2004 and in 2005.

In keeping with the B.C. Heartlands Economic Strategy to open up the province, the government will complete and implement economic development plans across the province. The strategy includes new partnerships with First Nations, new investments in transportation infrastructure, new opportunities for tourism, sport and recreation from a successful Olympics bid, and a revitalized forest industry.

"We are doing our best to make the most of the scarce resources that are available," said Collins. "We plan and budget to spend those dollars where they will do the most good — to help people and to pave the way for the economic growth that pays for everything government delivers."

The top new spending commitment is the three-year, $650-million transportation plan, of which $225 million will go to improve northern and heartland roads. The plan will not increase overall debt, and the government will use its contribution to leverage an additional $1.7 billion in investments to help finance improvements to roads, bridges and border crossings.

"Our new transportation projects will benefit all regions of the province, and will be the driving force that opens up B.C. to a brighter future," said Collins.

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To assist in the transition to a revitalized and sustainable forest sector, the government has set aside a one-time, $275-million forestry restructuring provision. Additional budget allocations will also provide First Nations with an opportunity to participate more fully in the forest economy through negotiated revenue-sharing agreements.

"All of our forestry reforms will move us closer to our vision of a leading-edge industry that is globally recognized for its productivity and environmental stewardship," said Collins.

For 2003/04, government will continue to protect health and education funding. In addition to maintaining last year's $1.1 billion increase to health-care funding, the provincial government will invest all of the $1.3 billion in expected new federal health contributions over the next three years to improve health care. Further announcements on how these resources will be directed to best serve British Columbians' health-care needs will be made in the weeks ahead.

In the education system, protected funding in the face of declining enrolment will mean per-student funding will rise $51 in 2003/04. This increase is over and above the one-time funding of $50 million allocated to school boards recently. In addition, the education budget will increase $143 million over the next three years. Future budget increases mean per-student funding will increase by a total of $243 by 2005/06.

A $23-million, one-time enhancement to university and college research means the government will fulfil, two years ahead of schedule, its $45-million commitment to fund 20 B.C. Leading Edge Chairs across the province, in medical, social, environmental and technological research. The additional funds will also support six B.C. Regional Innovation Chairs, online learning and medical-school expansion.

"These initiatives help to make higher education more accessible to students across B.C. and ensure we have the highly skilled professionals we need to build a stronger economy and a better quality of life," said Collins.

Employment programs for people in need, intervention for school-aged children with autism spectrum disorder and a 50-per-cent increase in the number of childcare spaces eligible for subsidy assistance are among new measures to benefit families and communities.

Several sector-specific tax changes are also being introduced to foster more growth and diversification.

"Budget 2003 is a plan for prosperity that is prudent, responsible and focused on the future," said Collins. "We have made progress — we are on track and ahead of schedule — but we have only just begun. We will continue to contain the growth of government, expand the economic growth that will sustain our social safety net and build for tomorrow."

– 30 –

For more details on this year's budget, visit www.bcbudget.gov.bc.ca online.

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Tel: 250 356-2821

Budget and Fiscal Plan 2003/04 to 2005/06

February 18, 2003

BRITISH COLUMBIA

Ministry of Finance

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Paul Taylor
Deputy Minister and
Secretary to Treasury Board

Ministry of
Finance

Treasury Board

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BUDGET AND FISCAL PLAN

2003/04 – 2005/06

BRITISH
COLUMBIA

Summary: BUDGET AND FISCAL PLAN - 2003/04 TO 2005/06

($ millions)	2002/03 Budget Estimate	2002/03 Updated Forecast	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Revenue	24,983	24,975	26,000	27,285	27,945
Expense	(28,633)	(28,475)	(27,800)	(27,235)	(27,570)
(Deficit) surplus before forecast allowance	**(3,650)**	**(3,500)**	**(1,800)**	**50**	**375**
Forecast allowance	(750)	(300)	(500)	-	-
(Deficit) surplus	**(4,400)**	**(3,800)**	**(2,300)**	**50**	**375**
Capital spending:					
Total capital spending	2,730	2,179	2,513	2,378	2,127
Taxpayer-supported capital spending	1,669	1,181	1,450	1,151	1,055
Provincial Debt:					
Total debt	40,728	37,268	40,966	41,763	42,066
Total debt-to GDP ratio	31.3%	27.9%	29.4%	28.4%	27.3%
Taxpayer-supported debt	31,601	29,291	32,046	32,530	32,622
Taxpayer-supported debt-to-GDP ratio	24.3%	21.9%	23.0%	22.1%	21.1%

The government's fiscal plan to balance the budget beginning in 2004/05 remains on track.

A $2.3 billion deficit is projected for 2003/04. This includes a $500 million forecast allowance to cushion against unexpected negative developments. Before this forecast allowance, the deficit is estimated to be $1.8 billion, the same as forecast a year ago. Surpluses of $50 million and $375 million are projected in 2004/05 and 2005/06.

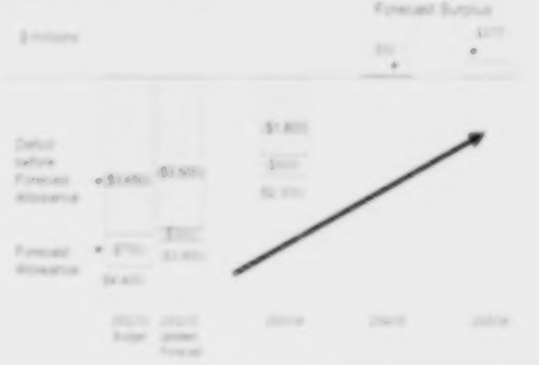
For 2002/03, the deficit is now forecast to be $3.8 billion, $600 million less than budget, including a reduced forecast allowance of $300 million. All ministries are expected to be on or under budget (excluding a one-time forest restructuring provision). Lower debt interest costs, lower employment assistance caseloads and other savings have freed up funds for key priorities including:

($millions)	2002/03
Advanced Education (Genome research leadership and regional innovation chairs)	23
Education (One-time grants to school districts to improve student achievement)	50
Children & Family Development (Early Childhood Development (ECD) Partnership Fund, Aboriginal ECD research chairs)	12
Health Services (Genome research and leadership chair)	27
Total	112

Prudent fiscal management and a growing economy will allow government to meet British Columbians' priorities in 2003/04 and beyond, and to fund school based programs (CommunityLink), the Child and Youth Mental Health Plan, additional grants to schools and other initiatives. While remaining within the bottom-line fiscal plan targets, additional new funding is allocated to the following social ministries:

($millions)	Change from Plan 2003/04	2004/05	2005/06
Advanced Education			30
Children & Family Development	59	70	93
Education		83	143
Human Resources			45
Total	59	153	311

Fiscal plan remains on track



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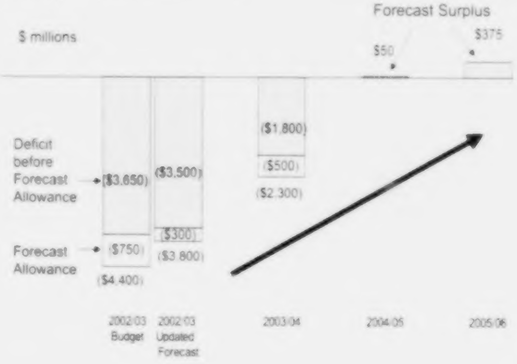


Government is continuing to implement a strategy to build a strong, vibrant and competitive economy. *Budget 2003* maintains:

- the lowest personal income tax rates in Canada for the bottom two tax brackets;
- the second lowest top marginal income tax rate in Canada;
- one of the lowest small business corporate income tax rates; and
- elimination of the corporation capital tax for non-financial corporations.

Budget 2003 also includes specific targeted tax measures totalling $29 million by 2004/05 to further enhance the competitiveness of specific sectors including:

- enhanced labour sponsored venture capital tax credits;
- a dedicated equity tax credit budget for New Media;
- new digital animation and visual effects tax credits; and
- extension of the BC Mining Exploration tax credit.

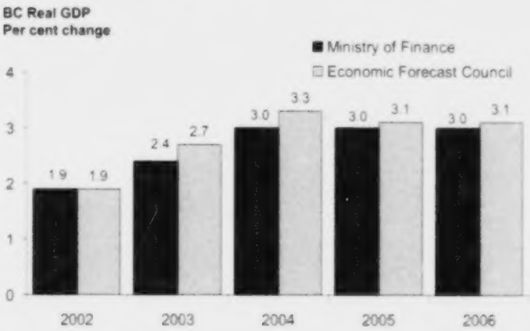
In addition to a $275 million provision in 2002/03 to assist the transition to a sustainable forestry sector, *Budget 2003* provides new funds to open up B.C. to economic development:

	Change from Plan		
($millions)	2003/04	2004/05	2005/06
Forests	36	60	107
Olympic Venues/venues legacy	37	21	45
Vancouver Convention and Exhibition Centre expansion	67	62	70
Total	140	143	222

A three-year transportation infrastructure plan will invest about $650 million raised from a 3.5 cent per litre increase in the provincial fuel tax, and will leverage an additional $1.7 billion from other partners, to expand and improve the provincial transportation system.

Subsequent to core services and energy policy reviews, government policy now fosters opportunities for private sector investment in the energy and auto insurance sectors, and provides independently regulated rates for ICBC and BC Hydro.

British Columbia economic expansion to continue



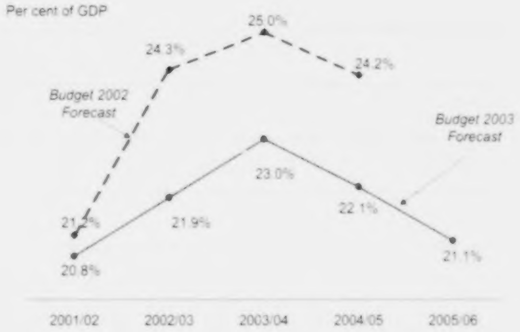
Economic growth of 2.4 per cent is forecast for 2003, slightly lower than the independent Economic Forecast Council consensus. The B.C. economy is projected to expand at a rate of 3.0 per cent in 2004, 2005 and 2006.

Revenue growth of 4.1 per cent is forecast in 2003/04, as increasing tax revenues and stronger natural gas royalties offset the impact of low water levels in the BC Hydro system. From 2003/04 to 2005/06, revenue grows an average 3.7 per cent per year.

No additional federal health funding is included in the budget at this time. An estimated $1.3 billion over 3 years will be allocated to health care in the coming weeks once details of the First Ministers' Accord on Health Care Renewal are finalized.

Government debt at the end of 2002/03 is forecast to total $37.3 billion, $3.5 billion less than budget. This results from a lower deficit, reduced capital spending and lower working capital requirements. This gain carries forward, reducing the debt interest costs for future generations of British Columbians. The key taxpayer-supported debt-to-GDP ratio is now expected to be much lower than forecast a year ago.

Taxpayer-supported debt remains affordable



Part 1: THREE-YEAR FISCAL PLAN

Table 1.1 ***Budget 2003*** **Fiscal Plan**[1]

($ millions)	2002/03 Budget Estimate	2002/03 Updated Forecast	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Taxpayer-supported programs and agencies:					
Revenue[2]	23,332	23,258	24,619	25,616	26,206
Expense[2]	(28,633)	(28,475)	(27,800)	(27,235)	(27,570)
Taxpayer-supported balance	**(5,301)**	**(5,217)**	**(3,181)**	**(1,619)**	**(1,364)**
Commercial Crown corporation net income	1,651	1,717	1,381	1,669	1,739
(Deficit) surplus before forecast allowance	**(3,650)**	**(3,500)**	**(1,800)**	**50**	**375**
Expanded entity[3]	-	-	-	-	-
Forecast allowance	(750)	(300)	(500)	-	-
(Deficit) surplus	**(4,400)**	**(3,800)**	**(2,300)**	**50**	**375**

---

[1] Figures have been restated to conform with the presentation used in 2003/04 and to government's move to more fully comply with generally accepted accounting principles (GAAP). Taxpayer-supported revenue includes all revenue received by the consolidated revenue fund (CRF) plus revenue received by taxpayer-supported Crown corporations and agencies from non-government sources. Taxpayer-supported expense includes the spending of CRF ministries plus expenses of taxpayer-supported Crown corporations and agencies. Transactions between the CRF and taxpayer-supported Crowns have been eliminated to avoid double counting.

[2] Excludes the final impact of the February 5, 2003 First Ministers' Accord on Health Care Renewal.

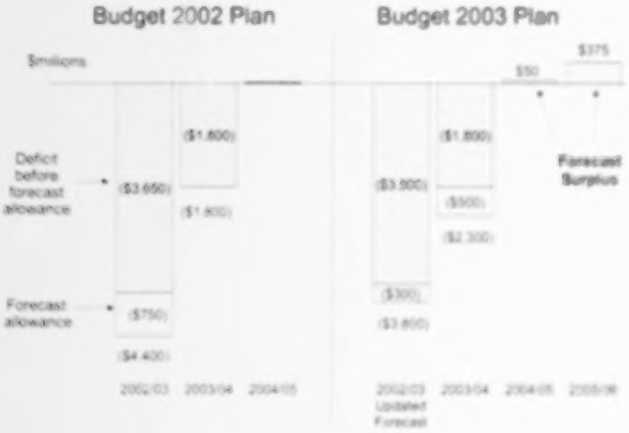
[3] The government has a legislative requirement to fully comply with GAAP by 2004/05. This will expand the government entity to include school districts, certain post-secondary institutions, hospital societies and health authorities. For purposes of this presentation, these agencies are forecast to have no material bottom line impact on government's financial statements. These agencies will be fully incorporated into the budget presentation for 2004/05.

Introduction

Budget 2003 updates the three-year fiscal plan tabled on February 19, 2002, and extends the plan to 2005/06.

The government's fiscal plan to balance the budget beginning in 2004/05 remains on track. A $2.3 billion deficit is projected for 2003/04. This includes a $500 million forecast allowance to cushion against negative developments. Before this forecast allowance, the deficit is estimated to be $1.8 billion, the same as forecast one year ago. Surpluses of $50 million and $375 million are now projected in 2004/05 and 2005/06.

Chart 1.1 Updated Plan to Balance the Budget



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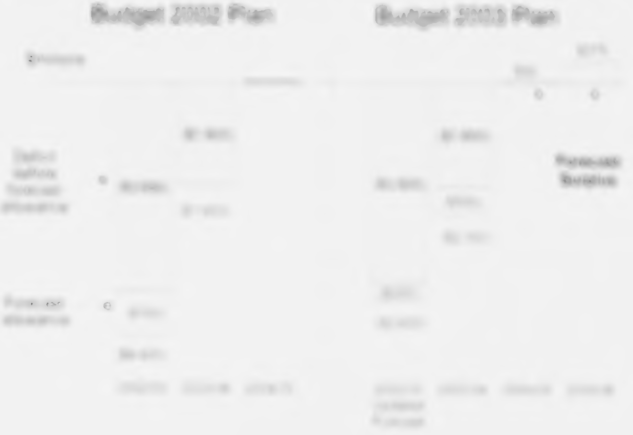


Table 1.2 Three-Year Fiscal Plan Update - Changes from *Budget 2002*

($ millions)	2002/03	2003/04	2004/05
***Budget 2002* Fiscal Plan**	(4,400)	(1,800)	–
Revenue increases (decreases):			
Tax revenues	(819)	(321)	(487)
Revenue measures announced in *Budget 2002*	29	252	297
Natural resource revenues	189	197	109
Equalization entitlements and Canada health and social transfer	512	506	549
Commercial Crown corporation net income (including BC Hydro)	98	(453)	(152)
All other revenue changes	91	(98)	(120)
Total revenue changes	100	83	196
Less expense increases (decreases):			
CRF expenses:			
Economic development and related initiatives	–	167	170
Transportation - mainly service contract payments to BC Ferry Services	–	112	112
Social initiatives[1]	–	55	122
Human Resources - employment assistance caseload savings redirected to other priorities	(153)	(113)	(22)
Management of Public Funds and Debt - lower debt level and interest rates	(290)	(159)	(140)
Other programs	(90)	(61)	1
Forestry restructuring provision	275	–	–
CRF expense changes	(258)	1	243
Taxpayer-supported Crown corporation and agency expense and adjustment changes	208	82	(17)
Total expense changes	(50)	83	226
Net changes before expanded entity and forecast allowance	150	–	(30)
Expanded entity	–	–	100
Forecast allowance	450	(500)	–
Total changes	600	(500)	70
***Budget 2002* Updated Fiscal Plan**	(3,800)	(2,300)	70

[1] Excludes the final impact of the February 5, 2003 First Ministers' Accord on Health Care Renewal (initial estimates of $225 million in 2003/04 and $290 million in 2004/05).

The updated plan reflects government's continued commitment to balance the budget beginning in 2004/05 and to build a strong and vibrant economy.

Balancing the budget beginning in 2004/05 while protecting health care and education

For 2002/03, government now forecasts a deficit of $3.8 billion, $600 million lower than forecast in the February 19, 2002 budget. The improvement results from lower debt interest costs and lower spending in government ministries. As well, the projected 2002/03 deficit incorporates a forecast allowance of $300 million, $450 million less than budgeted, reflecting reduced forecast risks over the rest of the fiscal year (for information on the updated forecast, see Part 4 – 2002/03 Updated Financial Forecast).

Table 1.3 Extending the Fiscal Plan to 2005/06

($ millions)	Change from 2004/05	
2004/05 planned surplus		[illegible]
Plus:		
Revenue Changes		
Taxation	[illegible]	
Natural resource	[illegible]	
Federal government contributions and other	[illegible]	
Commercial Crown corporation net income	[illegible]	
Total revenue changes		[illegible]
Less:		
CRF expense – year-over-year increases[1]		
Advanced Education – Life Sciences Centre and other enhancements	[illegible]	
Education – base funding increase	[illegible]	
Children and Family Development – Safe Care and Child and Youth Mental Health Plan	[illegible]	
Community, Aboriginal and Women's Services – mainly Olympic venues and venues legacy funding	[illegible]	
Forests – Forest Investment and First Nations' participation	[illegible]	
Human Resources – employment assistance, program priorities	[illegible]	
Other changes	[illegible]	
Debt interest	[illegible]	
Total CRF expense increases	221	
Other taxpayer-supported Crown corporation and agency expense and adjustment increases	[illegible]	
Total expense changes		[illegible]
2005/06 planned surplus		[illegible]

---

[1] Excludes the fiscal impact of the February 5, 2003 First Ministers' Accord on Health Care Renewal. Initial estimates of $[illegible] million in 2005/06, a year-over-year increase of $[illegible] million from 2004/05.

Reduced debt interest, lower employment assistance caseloads and other savings have freed up funds in 2002/03 enabling ministries to address key priorities. The extension of these factors beyond 2002/03, prudent fiscal management and a growing economy, also provide incremental funding for ministries in 2003/04 and 2004/05 within the fiscal plan targets (see Table 1.2). The revenue forecast that underpins the fiscal plan is described in the revenue section on page [illegible].

Extending the plan to 2005/06, revenue is forecast to increase by $[illegible] million over 2004/05. After allowing for a $221 million increase in CRF spending and a $[illegible] million increase in taxpayer-supported Crown corporation spending above 2004/05 spending budgets, the projected surplus is $[illegible] million (see Table 1.3).

The following is a summary of priority initiatives at the end of 2002/03 and funding increases made available in 2003/04, 2004/05 and 2005/06. Further information is provided in the CRF spending section on page 18.

Advanced Education — Grants for genome research and leadership and regional innovation chairs ($25 million funded in the last quarter of 2002/03); a $50 million budget lift provided in 2005/06.

Children & Family Development — Early Childhood Development (ECD) Partnership Fund and an Aboriginal ECD Research Chair ($12 million funded in the last quarter of 2002/03); a budget lift of $50 million in 2003/04 and $75 million in 2004/05 to fund school-based programs, community-based interventions for school-aged children with autism spectrum disorder and other programs. A further increase of $25 million is provided in 2005/06 for Child Care and the Child and Youth Mental Health Plan.

Education — Reallocated savings are used to fund one-time grants to school districts in 2002/03 to improve student achievement ($50 million). Base funding increases of $85 million in 2004/05 and a further $50 million in 2005/06.

Health Services — Grants for genome research and leadership chairs ($27 million funded in the last quarter of 2002/03). No health funding increases are provided in the budget as the impacts of the First Ministers' Accord on Health Care Renewal had not been fully determined when the budget was prepared. Initial estimates indicate that B.C. could receive $1.0 billion over three years — $329 million in 2003/04, $300 million in 2004/05 and $369 million in 2005/06. An additional $20 million may be available in 2002/03, subject to federal surplus availability. Updated service plans will be developed for the health ministries to reflect the new resources, and these will be released following confirmation of funding in the federal budget. Supplementary Estimates will be presented to the Legislature to request approval for spending based on the incremental revenue received in 2003/04.

Human Resources — Recognizes savings in employment assistance caseloads in 2002/03 through 2004/05, a portion of which is used to fund other priorities; a $35 million budget lift is provided in 2005/06 to address program priorities.

Opening up B.C. by building a strong and vibrant economy

Budget 2003 includes specific targeted tax measures totalling $29 million by 2004/05 to further enhance the competitiveness of specific sectors:

- the budget for labour sponsored venture capital tax credits will be increased by $5 million to $55 million annually;
- a dedicated tax credit for New Media under the Small Business Venture Capital Program.

- [illegible]
- [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Capital Spending

In 2002/03, capital spending is expected to be $553 million below the February 2002 budget estimate. The change from budget mainly reflects lower spending for health and education facilities, ministry minor capital purchases, the SkyTrain extension project and BCBC's Surrey Central City project. Planned capital spending in 2003/04 is $97 million higher than last year's plan and $192 million higher in 2004/05, reflecting increased investments in B.C.'s transportation, tourism and power generation sectors.

Debt

Government debt at the end of the 2002/03 fiscal year is forecast to total $37.3 billion, $3.5 billion less than budget. The improvement results from lower-than-expected debt levels at the beginning of the fiscal year, a lower expected deficit in 2002/03, lower capital spending, advantageous financing transactions and decreased working capital requirements through the year. Forecast debt levels for 2003/04 and 2004/05 have been reduced from the previous plan as a result of the lower debt now forecast for March 31, 2003.

These lower debt levels also reduce the annual debt interest costs throughout the forecast. In turn, this provides additional funds that have been applied to economic and social priorities.

Generally Accepted Accounting Principles (GAAP)

The government is required by provincial legislation to fully conform to GAAP by the 2004/05 budget. As part of that commitment, the presentation of revenue, spending and Crown corporation and agency operating results has been adjusted in this budget to conform more fully to GAAP.

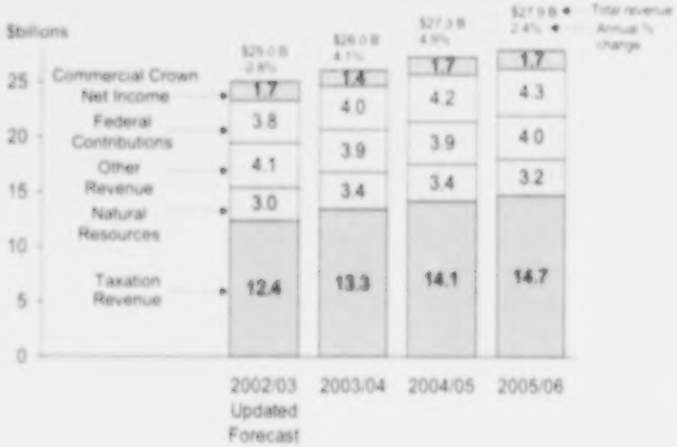
In previous years, the government's budget and fiscal plans included only the bottom-line results of taxpayer-supported Crown corporations and agencies. GAAP requires the financial activity of these organizations to be fully consolidated in government's financial reports. This means that assets, liabilities, revenues and expenses of taxpayer-supported Crown corporations and agencies must be added to those of the CRF. This change does not affect the government's bottom line.

Government revenues now combine taxpayer-supported Crown corporation and agency revenues with CRF revenues. As well, government revenues include the net income of commercial Crown corporations. Similarly, government expenses now combine government ministry and other CRF spending with the expenses of the taxpayer-supported Crown corporations and agencies.

Expenses are detailed by functional area (health, education, economic development, etc.) in Appendix Table A9. Additional information on government's move to full compliance with GAAP is provided in the Converting to GAAP topic box at the end of Part 1.

Revenue

Chart 1.2 Revenue Forecast



Government revenue includes the combined revenues of the CRF, taxpayer-supported Crown corporations and net income of commercial Crown corporations. In 2003/04, revenue is forecast to be $26 billion, up 4.1 per cent from the updated forecast for 2002/03 (see Table 1.5).

This forecast includes the effects of 4.3 per cent nominal GDP growth in 2003, new tax measures of $252 million, and stronger revenue growth from natural resources due to higher natural gas prices and increased electricity entitlements set by treaty. These effects are partially offset by an expected BC Hydro net loss. In the next two years, revenue is forecast to grow 3.7 per cent per year on average as the economy posts an average 5.1 per cent annual nominal GDP growth. The revenue forecast also incorporates all policy measures that have been implemented since July 2001 to further enhance B.C.'s competitiveness and increase investment.

The forecast does not include any new health funding from the February 5, 2003 First Ministers' Accord on Health Care Renewal, as specific details regarding amounts and timing of payments were not finalized in time to be included in the budget.

Key assumptions and sensitivities relating to revenue are provided in Appendix Table A11.

Expenses are detailed by functional area (health, education, economic development, etc.) in Appendix Table A9. Additional information on government's move to full compliance with GAAP is provided in the Converting to GAAP topic box at the end of Part 1.

Revenue

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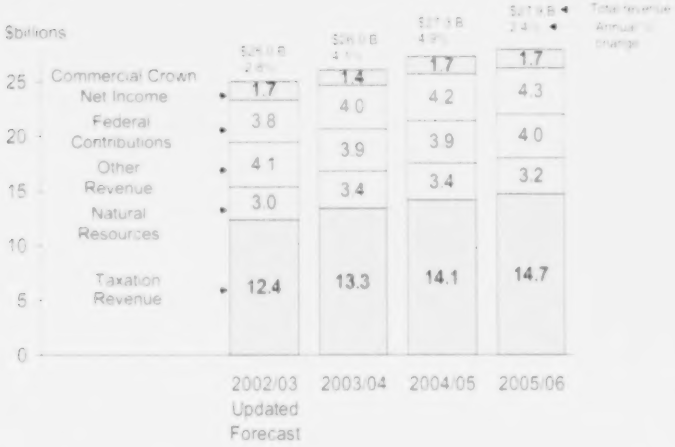

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The forecast does not include any new health funding from the February 5, 2003 First Ministers' Accord on Health Care Renewal, as specific details regarding amounts and timing of payments were not finalized in time to be included in the budget.

Key assumptions and sensitivities relating to revenue are provided in Appendix Table A11.

Taxation Revenue

In 2003/04, revenue from taxation sources is forecast to increase $976 million over 2002/03 levels. Excluding the $300 million one-time loss in personal income tax revenue in 2002/03, overall taxation revenue in 2003/04 is forecast to be up 5.3 per cent due to stronger economic growth in 2003 and tax measures totaling $252 million. Between 2003/04 and 2005/06, revenue from taxation sources is expected to grow an average 5.1 per cent per year in line with nominal economic growth.

- *Personal income tax* – an annual increase of $506 million in 2003/04. Excluding the one-time $300 million revenue loss in 2002/03, growth of 4.6 per cent assumes the tax base increases 4.0 per cent. Over the next two years to 2005/06, personal income tax revenue is forecast to increase an average 6.3 per cent annually due to stronger personal income growth. Compared to 2001/02 and 2002/03, higher tax yields are expected throughout the forecast, consistent with the projected economic recovery and financial market stabilization. Revenue is down more than $400 million from the previous plan due to the effect of weaker-than-expected 2001 results on the tax base.
- *Corporation income tax* – an annual increase of $110 million in 2003/04. The 2003/04 forecast includes a $114 million payment to the federal government for overpayments in 2002, $152 million lower than the payment in 2002/03. The forecast assumes that revenue continues to grow in 2004/05 and 2005/06 as repayment adjustments fall and instalments from the federal government increase in line with national tax base growth. Revenue is forecast to be lower than assumed in the 2002/03 plan, mainly due to the effect of weaker-than-expected results in the 2001 tax year.
- *Social service tax* – broadly-based growth in taxable expenditures, particularly strength in consumer spending, is forecast to increase social service tax revenue by 4.7 per cent in 2003/04. Further increases in overall expenditures will result in sales tax revenue rising by an average 5.3 per cent per year between 2003/04 and 2005/06.

Table 1.4 Three-Year Revenue Forecast Update - Changes from *Budget 2002*

($ millions)	2002/03	2003/04	2004/05
***Budget 2002* Fiscal Plan**	**24,777**	**25,937**	**27,078**
Revenue changes:			
Personal income tax	(638)	(425)	(460)
Corporation income tax	(134)	(28)	(125)
Other tax revenues	153	102	118
Revenue measures announced in *Budget 2003*	29	252	297
Energy revenues	76	366	182
Forests revenues	67	(176)	(92)
Canada health and social transfer	(156)	(167)	(151)
Equalization entitlements	668	675	700
BC Hydro net income (before RSA transfer)	-	(470)	(160)
All other revenue changes including restatement and consolidation adjustments	133	(66)	(102)
Total revenue changes	**198**	**63**	**207**
***Budget 2003* Updated Fiscal Plan**	**24,975**	**26,000**	**27,285**

Social service tax revenue in 2003/04 is now forecast to be slightly higher than was projected in last year's plan. In 2004/05, however, revenue is now projected to be $38 million higher than previously forecast, reflecting an increase in anticipated taxable expenditure growth in both 2004 and 2005.

- *Fuel tax* – a 3.5 cent per litre increase in the clear fuel tax collected on behalf of the BC Transportation Financing Authority (BCTFA), effective March 1, 2003, to fund the Transportation Investment Plan, will be partly offset by an additional 0.5 cent per litre increase in the clear fuel tax collected in Greater Vancouver and transferred to *TransLink*. The net impact of these changes, together with expected growth in fuel consumption, will push provincial fuel tax revenue up 28.7 per cent in 2003/04. Continued growth in fuel consumption volumes will generate a 2.6 per cent average annual increase in fuel tax revenue from 2003/04 to 2005/06. The forecast for fuel tax revenue in 2003/04 and 2004/05 is over $185 million higher than last year's plan, mainly due to increased tax collected on behalf of the BCTFA.
- *Property tax* – an increase in average gross school property tax rates of 2.5 per cent, in line with inflation, is expected to contribute to a 3.7 per cent increase in total property tax revenues in 2003/04. Continued growth in the property tax base and increases in school property tax rates tied to inflation will result in a 2.7 per cent average annual increase in total property tax revenues between 2003/04 and 2005/06. Property tax revenue is expected to be $34 million above last year's plan in 2003/04 and $60 million above in 2004/05, reflecting the *2003 Budget* revenue measures affecting school property tax rates as well as changes in the property tax base.

Natural Resource Revenue

- *Energy* – Revenue from petroleum and natural gas will increase $325 million or 23 per cent in 2003/04 due to higher natural gas prices. Over the next two years, revenue declines an average 8.1 per cent per year as natural gas prices are expected to fall.

  Electricity sales under the Columbia River Treaty rise $150 million in 2003/04 due to an 80 per cent increase in the volume set by treaty. Revenue falls slightly by 2005/06 due to lower electricity prices.

  The overall revenue forecast from all energy sources is up from the previous plan as higher average natural gas and electricity prices offset lower natural gas volumes.
- *Forests* – commodity prices are expected to rise during 2003 but remain relatively low, and harvest volumes are forecast to fall below 2002/03 levels. This results in a $110 million revenue decline in 2003/04. Thereafter, revenue is expected to rise as average commodity prices and harvest volumes increase. The forecast assumes no resolution of the softwood lumber dispute and no change to stumpage policies. An increasing proportion of timber is expected to be made available through the BC Timber Sales program. Revenue in 2003/04 and 2004/05 is lower than in last year's plan due to lower prices and a higher-than-expected impact of countervail and anti-dumping duties on stumpage rates.

Other Revenue

This category includes revenues from Medical Services Plan premiums, fees, licenses, investment earnings, sales of goods and services, fines and other miscellaneous sources. This includes some of the revenue collected by ministries and treated as offsets to spending, as well as revenue earned by taxpayer-supported Crown corporations and agencies from sources outside government.

Other revenue declines in 2003/04 as the devolution of BC Ferries to the private sector results in the loss of fare revenue and lower concession sales. This is partly offset by government's investment earnings from the new private sector corporation. Over the next two years, total other revenue is forecast to increase an average 0.9 per cent per year.

Contributions from the Federal Government

Federal government payments received under the Canada health and social transfer and equalization programs are the major sources of transfer payments. Other sources include payments from the federal government for health, education, social, transportation and other cost-shared programs. This includes federal transfers to ministries that are treated as offsets to spending and payments received by taxpayer-supported Crown corporations and agencies.

- *Canada health and social transfer (CHST)* – in the 2003/04 to 2005/06 period, payments received under CHST are expected to grow in line with cash increases previously announced by the federal government and B.C.'s share of national population. No new federal health funding resulting from the recent First Ministers' Accord on Health Care Renewal has been assumed in the forecast.
- *Equalization* – after increasing in 2003/04 as B.C.'s economic growth lags Canada, B.C.'s equalization entitlements are forecast to level off in 2004/05 and 2005/06, as the gap between B.C.'s and Canada's nominal GDP per capita stabilizes. Due to the risk of historical revisions, the complex formula, and the amount of data needed to more accurately forecast equalization entitlements, the forecast for this source is unusually volatile. Depending on circumstances, changes to the equalization transfers may be partially offset by CHST payments.

Commercial Crown Corporation and Agency Net Income

- *British Columbia Hydro and Power Authority* – forecasts a $70 million loss for 2003/04, primarily due to dry weather conditions in the regions of the province where the hydro generation reservoirs are located. These are expected to result in low water inflows (87 per cent of normal) into the reservoirs, reducing hydro generation capability. The reduced availability of low cost hydro generation means that BC Hydro must meet its demand from higher cost thermal generation and imported power.

The 2003/04 forecast represents a $470 million deterioration from BC Hydro's projection in last year's plan. A return to normal snow conditions in the outer years is assumed under the current plan, which will lead to a restoration of the corporation's profitability, although not at the level experienced in recent years. BC Hydro's current forecast does not include any rate changes that may result from a pending submission to the BC Utilities Commission later in 2003.

- *British Columbia Liquor Distribution Branch (LDB)* – at $655 million annually, LDB's projected net income is $5 million higher than the projection in the 2002/03 fiscal plan. While total liquor sales are forecast to be an average 4.5 per cent higher than previously forecast, the increase will be offset by higher commissions and product costs leaving the gross margin relatively unchanged. LDB anticipates cost savings as retail operations are devolved to the private sector; however, savings will be offset in the near term by restructuring costs including severance costs and lease buyouts.
- *British Columbia Lottery Corporation* – BC Lotteries projects net income of $725 million for 2003/04, a $10 million improvement over last year's forecast. The improvement is within the current gaming policy, and results from an increase in the number of slot machines to the current policy maximum of 5,400 and updating to industry-standard slot machines. The impacts of these changes are projected to result in more substantial gains in future years as the changes are implemented.
- *British Columbia Railway Company* – BC Rail's forecast for 2003 includes a gain on sale of parts of its marine division. Excluding the gain, BC Rail's forecast net income is $29 million for 2003/04, down $23 million from the 2003/04 projection in last year's fiscal plan. The forecast reflects the loss of all northeast coal traffic, which historically accounted for approximately 19 per cent of BC Rail's freight revenue base.

  In response to a core program review, BC Rail will focus on its remaining freight business, maintaining profitability through productivity improvements. BC Rail remains vulnerable to the U.S. lumber market as most of its freight customers are sawmills selling into that market.
- *Insurance Corporation of British Columbia (ICBC)* – At $45 million, ICBC's 2003 projected net income represents a $25 million improvement over the 2003 projection in last year's fiscal plan. The improvement is primarily due to lower operating costs, partially offset by higher claims costs and lower investment income. The ICBC projection does not assume changes due to the impact of moving into a regulated environment (see the Crown Corporation Restructuring Update topic box) or any potential accounting changes.

Table 1.2 Revenue by Source

($ millions)	2001/02 Budget Estimate	2001/02 Updated Forecast	Budget Estimate 2002/03	Plan 2003/04	Plan 2004/05
Taxation Revenue					
Personal income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Corporation income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Social service	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fuel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tobacco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Property	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Property transfer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Corporation capital	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Natural Resource Revenue					
Natural gas royalties	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Petroleum royalties, permits, fees and minerals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Columbia River Treaty	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Forests	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water and other resources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Revenue					
Medical Services Plan premiums	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Motor vehicle licences and permits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other fees and licences	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment earnings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sales of goods and services by taxpayer-supported Crown corporations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Miscellaneous	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contributions from the Federal Government					
Canada health and social transfer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equalization	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other cost-shared agreements	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taxpayer-supported programs and agencies	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commercial Crown corporation net income					
BC Hydro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less: Transfer to Rate stabilization account	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liquor Distribution Branch	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Lotteries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Rail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ICBC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less: Accounting adjustments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[1] [illegible]

[2] [illegible]

[3] [illegible]

[4] [illegible]

[5] [illegible]

Table 1.[illegible] Expense by Ministry, Program and Agency

($ millions)	2002/03 Budget Estimate	2002/03 Updated Forecast	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Advanced Education	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Education	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health Planning	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Subtotal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Office of the Premier	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Agriculture, Food and Fisheries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Attorney General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Children and Family Development	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Community, Aboriginal and Women's Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Competition, Science and Enterprise	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Energy and Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Forests	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Human Resources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Management Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Provincial Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Public Safety and Solicitor General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Skills Development and Labour	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sustainable Resource Management	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transportation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water, Land and Air Protection	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Subtotal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Ministries and Premier's Office	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Legislation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Officers of the Legislature	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Family Bonus	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Management of Public Funds and Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Government Restructuring (All Ministries)	[illegible]	[illegible]	[illegible]	–	–
Contingencies (All Ministries) and New Programs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other Appropriations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Subtotal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Forestry Restructuring	–	[illegible]	–	–	–
Consolidated Revenue Fund expense[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less: Grants to agencies and other internal transfers[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Add: Expenses recovered from external entities[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taxpayer-supported Crown corporations and agencies (net of adjustments)[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ministry of Children and Family Development governance authorities	–	[illegible]	[illegible]	[illegible]	[illegible]
Total taxpayer-supported expense[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Table 1.5 Revenue by Source

($ millions)	2002/03 Budget Estimate	2002/03 Updated Forecast	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Taxation Revenue:					
Personal income	4,850	4,216	4,722	5,027	5,337
Corporation income	777	645	755	873	929
Social service	3,809	3,816	3,995	4,224	4,430
Fuel	868	873	866	894	911
Tobacco	622	610	635	635	635
Property	1,487	1,494	1,550	1,605	1,636
Property transfer	297	390	368	368	373
Corporation capital	165	130	101	99	97
Other [1]	324	331	349	374	390
	13,019	12,365	13,341	14,099	14,738
Natural Resource Revenue:					
Natural gas royalties	925	947	1,289	1,179	1,027
Petroleum royalties, permits, fees and minerals	461	494	477	477	454
Columbia River Treaty	85	90	240	240	225
Forests	1,145	1,212	1,102	1,205	1,226
Water and other resources	251	259	288	295	292
	2,867	3,002	3,396	3,396	3,234
Other Revenue:					
Medical Services Plan premiums	1,298	1,385	1,415	1,425	1,442
Motor vehicle licences and permits	345	350	352	359	365
BC Ferries tolls	310	313	–	–	–
Other fees and licences	456	469	500	502	487
Investment earnings	777	659	728	776	790
Sales of goods and services					
by taxpayer-supported Crown corporations	377	331	266	234	248
Miscellaneous [2]	559	575	634	627	628
	4,120	4,082	3,890	3,923	3,960
Contributions from the Federal Government					
Canada health and social transfer [3]	2,805	2,649	2,763	2,924	3,024
Equalization	–	668	675	700	700
Other cost-shared agreements [4]	522	492	554	574	550
	3,327	3,809	3,992	4,198	4,274
Taxpayer-supported programs and agencies	23,332	23,258	24,619	25,616	26,206
Commercial Crown corporation net income					
BC Hydro	345	413	(48)	123	82
Less: Transfer to (from) rate stabilization account	5	(63)	(27)	–	–
	350	350	(75)	123	82
Liquor Distribution Branch	640	651	655	633	633
BC Lotteries	660	670	725	825	905
BC Rail	14	(83)	61	30	35
ICBC	(15)	33	45	36	73
Other	5	12	5	6	7
Less: Accounting adjustments	(3)	84	(35)	(8)	(8)
	1,651	1,717	1,381	1,669	1,739
Total Revenue	24,983	24,975	26,000	27,285	27,945

Figures for 2002/03 have been restated to conform to the presentation used for 2003/04.

[1] Includes revenue from insurance premium tax and rural area tax.

[2] Includes asset dispositions, reimbursements for health care and other services provided to external agencies, and other recoveries.

[3] Includes the 3-year impact of the February 5, 2003 First Ministers' Accord on Health Care Renewal.

[4] Includes contributions for health, education, housing and social service programs, for transportation projects, and for 2002/03 to BC Ferries.

Table 1.6 Expense by Ministry, Program and Agency

($ millions)	2002/03 [2] Budget Estimate	2002/03 [2] Updated Forecast	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Advanced Education	1,899	1,899	1,899	1,899	1,929
Education	4,860	4,860	4,860	4,943	5,003
Health Planning	23	23	24	24	24
Health Services	10,186	10,186	10,185	10,185	10,185
Subtotal	16,968	16,968	16,968	17,051	17,141
Office of the Premier	47	45	52	50	46
Agriculture, Food and Fisheries	64	64	49	45	45
Attorney General	558	540	506	491	490
Children and Family Development	1,587	1,587	1,471	1,260	1,283
Community, Aboriginal and Women's Services	653	642	665	596	620
Competition, Science and Enterprise	51	49	115	105	112
Energy and Mines	52	52	57	45	45
Finance	58	58	55	49	49
Forests	621	621	565	536	583
Human Resources	1,672	1,519	1,417	1,221	1,266
Management Services	56	56	47	41	38
Provincial Revenue	51	44	50	49	49
Public Safety and Solicitor General	509	509	507	472	471
Skills Development and Labour	29	26	26	19	19
Sustainable Resource Management	117	117	92	71	71
Transportation	735	735	834	790	790
Water, Land and Air Protection	149	149	130	113	113
Subtotal	7,009	6,813	6,618	5,953	6,090
Total Ministries and Premier's Office	**23,977**	**23,781**	**23,586**	**23,004**	**23,231**
Legislation	41	38	43	43	43
Officers of the Legislature	30	26	23	26	39
BC Family Bonus	91	91	85	78	79
Management of Public Funds and Debt	920	730	926	1,042	1,024
Government Restructuring (All Ministries)	230	221	190	–	–
Contingencies (All Ministries) and New Programs	174	174	170	200	200
Other Appropriations [1]	62	62	11	9	8
Subtotal	25,525	25,123	25,034	24,402	24,623
Forestry Restructuring	–	275	–	–	–
Consolidated Revenue Fund expense [2]	**25,525**	**25,398**	**25,034**	**24,402**	**24,623**
Less: Grants to agencies and other internal transfers [3]	(723)	(818)	(1,087)	(1,914)	(1,950)
Add: Expenses recovered from external entities [4]	1,517	1,421	1,615	1,690	1,712
	26,319	26,001	25,562	24,179	24,385
Taxpayer-supported Crown corporations and agencies (net of adjustments) [5]	2,314	2,471	1,955	1,914	2,020
Ministry of Children and Family Development governance authorities	–	3	283	1,143	1,165
Total taxpayer-supported expense [6]	**28,633**	**28,475**	**27,800**	**27,235**	**27,570**

[1] Includes various boards, commissions, other votes and special accounts.

[2] Figures for 2002/03 have been restated to conform to the 2003/04 presentation, mainly to reflect reorganizations and certain program revenues that are now deducted from spending (see Schedule A of the 2003/04 Estimates).

[3] Grants and other payments between the government and taxpayer-supported Crown corporations and agencies are eliminated to avoid double counting.

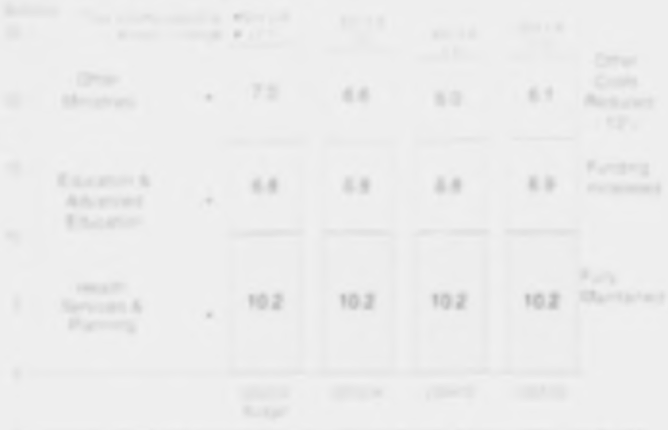
[4] Represents ministry spending where the costs are recovered from external agencies. Previously, these recoveries were presented as deductions from spending. On consolidation, the recoveries are reported as revenue and spending increases of the same amounts. Consequently, there is no impact on the bottom-line surplus/deficit. This amount also includes interest costs paid by organizations who receive fiscal agency loans from the government.

[5] For details see Appendix Table A10.

[6] Excludes the final impact of the February 5, 2003 First Ministers' Accord on Health Care Renewal.

Expense

Chart 1.3 Ministry Spending[1]



Consolidated Revenue Fund (CRF) Spending

The three-year spending plan for 2003/04 – 2005/06 remains consistent with the plan presented in February 2002. However, at the time of preparing the 2003/04 – 2005/06 *Budget and Fiscal Plan*, details of new federal funding for health care had not yet been confirmed. The 2003/04 to 2005/06 spending plans for the health ministries are based on the existing plans presented in February 2002 and do not include federal funding increases.

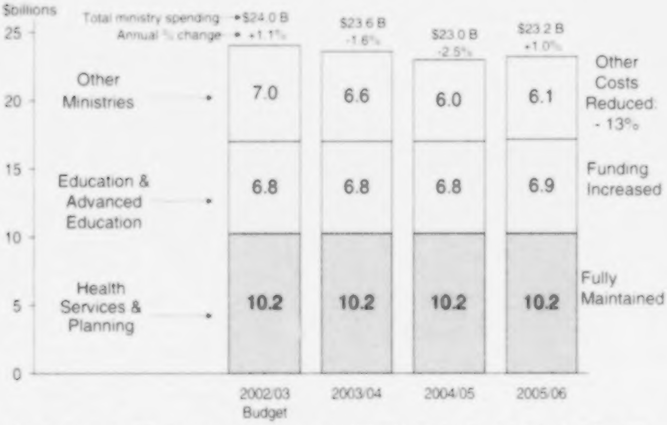
On February 5, 2003 the First Ministers' Accord on Health Care Renewal was announced. Under the accord, B.C. anticipates receiving new federal funding of $1.3 billion over the next three years. B.C. is committing every dollar of this funding toward health care. Once the provincial government has assessed the terms and conditions of the new funding against provincial priorities, revised service plans for the health ministries and *Supplementary Estimates* for 2003/04 additional spending will be presented to the Legislature.

Compared to the 2002/03 budget estimate, total CRF spending will fall by approximately $900 million or 3.5 per cent by the end of the next three years (see Table 1.1). CRF spending will decrease by about 1.9 per cent in 2003/04 and by a further 2.5 per cent in 2004/05. As the economy and provincial finances improve, CRF spending will increase by 0.9 per cent in 2005/06.

Ministry spending, including the Premier's Office, will show an overall decline of 3.1 per cent by the end of the next three years (see Chart 1.3). Other spending, which includes debt interest, restructuring and special offices, will decline 10.1 per cent by 2005/06, mainly due to the end of restructuring funding in 2003/04.

Expense

Chart 1.3 Ministry Spending[1]



[1] Does not include federal funding from the February 5, 2003 First Ministers' Accord on Health Care Renewal

Consolidated Revenue Fund (CRF) Spending

The three-year spending plan for 2003/04 - 2005/06 remains consistent with the plan presented in February 2002. However, at the time of preparing the *2003/04 - 2005/06 Budget and Fiscal Plan*, details of new federal funding for health care had not yet been confirmed. The 2003/04 to 2005/06 spending plans for the health ministries are based on the existing plans presented in February 2002 and do not include federal funding increases.

On February 5, 2003 the First Ministers' Accord on Health Care Renewal was announced. Under the accord, B.C. anticipates receiving new federal funding of $1.3 billion over the next three years. B.C. is committing every dollar of this funding toward health care. Once the provincial government has assessed the terms and conditions of the new funding against provincial priorities, revised service plans for the health ministries and *Supplementary Estimates* for 2003/04 additional spending will be presented to the Legislature.

Compared to the 2002/03 budget estimate, total CRF spending will fall by approximately $900 million or 3.5 per cent by the end of the next three years (see Table 1.6). CRF spending will decrease by about 1.9 per cent in 2003/04 and by a further 2.5 per cent in 2004/05. As the economy and provincial finances improve, CRF spending will increase by 0.9 per cent in 2005/06.

Ministry spending, including the Premier's Office, will show an overall decline of 3.1 per cent by the end of the next three years (see Chart 1.3). Other spending, which includes debt interest, restructuring and special offices, will decline 10.1 per cent by 2005/06, mainly due to the end of restructuring funding in 2003/04.

The spending plan is based on ministry three-year service plans that have been updated to incorporate some modest changes in spending priorities, program reallocations and the addition of 2005/06 spending targets.

Table 1.7 provides a summary of major changes to the spending targets for 2003/04 and 2004/05 compared to last year's Budget and Fiscal Plan. In total, $99 million has been added to the spending target for 2003/04 and $274 million in 2004/05. These changes largely reflect the accommodation of various spending priorities within the fiscal plan, as a result of developments since last year.

Key assumptions and sensitivities related to ministry spending are provided in Appendix Table A12.

Highlights of Major Changes to 2003/04 and 2004/05

- *Ministry of Children and Family Development* – includes additional funding for school-based programs (CommunityLink), intervention for school-age children with autism spectrum disorder and other initiatives.

Table 1.7 Three-Year CRF Spending Plan - Major Changes from *Budget 2002*
(excluding program reorganizations between ministries)

($ millions)	Estimates 2002/03	Plan 2003/04	Plan 2004/05	Plan 2005/06
***Budget 2002* Fiscal Plan**	**25,556**	**24,935**	**24,128**	-
Key Changes:				
Children and Family Development - school-based programs, autism spectrum disorder and other programs	-	59	70	
Community, Aboriginal and Women's Services - Olympic venues and venues legacy funding	-	37	21	
Competition, Science and Enterprise - Vancouver Convention and Exhibition Centre expansion funding	-	67	62	
Education - base funding increase	-	-	83	
Forests -mainly BC Timber Sales program and First Nations' participation	-	36	60	
Human Resources - employment assistance caseload savings redirected to other priorities	-	(19)	(22)	
Public Safety and Solicitor General - commercial vehicle safety and enforcement programs transferred from ICBC	-	27	27	
Transportation - mainly service contract payments to BC Ferry Services	-	112	112	
Management of Public Funds and Debt - lower debt level and interest rates	-	(159)	(140)	
Other Appropriations - mainly advancement of seismic mitigation contributions	-	(40)	-	
Estimates restatements and other minor adjustments[1]	(31)	(21)	1	
Total Changes	**(31)**	**99**	**274**	
***Budget 2003* Updated Fiscal Plan**	**25,525**	**25,034**	**24,402**	**24,623**

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[1] To be consistent with the presentation used in the *2003/04 - 2005/06 Budget and Fiscal Plan*, the 2002/03 Estimate and 2003/04 and 2004/05 Plan amounts have been restated to reflect the effect of a number of fees, licences and other revenues that are treated as deductions from expenditure. These adjustments do not affect the government's bottom-line, only the composition of revenue and expenses.

- *Ministry of Community, Aboriginal and Women's Services* – includes additional funding to support construction of the Olympic venues and venues legacy funding, assuming that the provincial Olympic bid is successful.
- *Ministry of Competition, Science and Enterprise* – includes funding for the provincial share of the capital costs for the Vancouver Convention and Exhibition Centre expansion project.
- *Ministry of Education* – includes increased funding for grants to the public and independent schools to improve student achievement.
- *Ministry of Forests* – primarily includes additional funding for First Nations' participation in the forest economy; for the BC Timber Sales program to increase development and sales of Crown timber resources; and for forest protection.
- *Ministry of Human Resources* – due to significantly lower than expected employment assistance caseload, a portion of the savings has been reallocated to other government priorities such as programs in the Ministry of Children and Family Development.
- *Ministry of Public Safety and Solicitor General* – mainly includes additional funding for commercial vehicle safety and enforcement programs that have been transferred from ICBC.
- *Ministry of Transportation* – mainly includes funding for annual payments to BC Ferry Services for a coastal ferry services contract. Planned investments in transportation are made through the BC Transportation Financing Authority (see the Transportation Investment Plan topic box).
- *Management of Public Funds and Debt* – debt interest costs are significantly lower than expected due to lower debt balances and lower assumed long-term and short-term interest rates.
- *Other Appropriations* – provincial contributions for the seismic mitigation program to upgrade public sector facilities will be fully funded by 2002/03, one year earlier than planned, thus reducing funding requirements in 2003/04.

There are other changes to ministry budget and service plan targets due to program reorganizations. For example, the child care subsidy program has been transferred from the Ministry of Human Resources to the Ministry of Community, Aboriginal and Women's Services. Further information on program transfers can be found in Schedule A of the *2003/04 Estimates*.

In 2005/06, total CRF spending is expected to increase $221 million compared to 2004/05. The spending plan incorporates the effects in 2005/06 of changes to ministry budgets as shown in Table 1.7, as well as increases in priority spending areas as shown in Table 1.3.

Part 4 – 2002/03 Updated Financial Forecast provides an update of developments in 2002/03. Spending for ministries and other programs was about 1.6 per cent below budget mainly due to lower debt interest costs.

lower employment assistance caseloads in the Ministry of Human Resources and reduced spending in other areas. These improvements more than offset a one-time provision in 2002/03 to assist with the transition to a sustainable forestry sector, and as a number of these changes will also have an impact in the following years, they will contribute to accommodating a number of priority spending increases over the next three years.

Additional information on ministry budgets and service plans is provided on the government's website at *http://www.gov.bc.ca*.

Taxpayer-supported Crown corporation and agency expenses

Taxpayer-supported Crown corporations and agencies provide a number of services to the public. These agencies are primarily funded from ministry sources, but may also have outside sources of revenue. Some of the services provided by taxpayer-supported Crowns are highway construction (BC Transportation Financing Authority), property management (BC Buildings), property assessment, (B.C. Assessment Authority), social housing (BC Housing Management Commission), transit services (BC Transit), and legal services (Legal Services Society). Revenue and spending of taxpayer-supported Crown corporations are combined with CRF revenue and expenses in Tables 1.5 and 1.6. However, revenues and expenses for individual taxpayer-supported Crown corporations are detailed in Table A10.

The decrease in spending for 2003/04 is primarily due to the devolution of BC Ferries to a regulated private sector corporation that will be governed by a separate ferry authority. Spending decreases will continue in 2004/05 primarily due to spending reductions in BC Buildings. Increased spending in 2005/06 reflects the impact of the transportation plan on BCTFA's operating expenses.

Regional authority expenses

Ministry of Children and Family Development Governance Authorities – During 2003/04 to 2005/06, the Ministry of Children and Family Development will transfer authority for services in its Community Living Services and Child and Family Development programs to new governance structures. These bodies will be responsible for directing operations and managing funds and services. Prior to the establishment of permanent bodies, interim authorities will plan the transition of services. An increase in expense over the three years reflects the phased implementation of interim and permanent authorities and increased services. For further details, see the Ministry of Children and Family Development service plan.

Full-Time Equivalents (FTEs)

The 2003/04 projection for the taxpayer-supported FTEs, including ministries and special offices (CRF), and taxpayer-supported Crown corporations and agencies, and regional authorities, is 34,469 – a reduction of 2,134 from last year's fiscal plan. By 2005/06, FTEs are projected to decline to 31,174.

Last year, government's three-year plan anticipated an overall reduction of 11,813 FTEs from 2001/02 to 2004/05 for ministries and special offices. Some refinement of ministry re-structuring plans and program transfers between the CRF and Crown corporations have resulted in a revised three-year reduction target of 11,179 FTEs.

Ministries and special offices (CRF)

The 2003/04 FTE projection for ministries and special offices is 29,049 FTEs – a net increase of 589 FTEs from last year's fiscal plan. The increase is due to additional FTEs being allocated to the new shared services agency and a number of other ministry changes. In addition, a number of program transfers between the CRF and various Crown corporations changed the allocation of FTEs between the CRF and Crown corporations and agencies. See Table 1.8 for details of changes from last year's plan. FTE projections are 23,867 in 2004/05 and 23,816 in 2005/06.

Taxpayer-supported Crown corporations and agencies

The 2003/04 taxpayer-supported Crown corporation and agency FTE projection is 5,270, a reduction of 2,873 FTEs from last year's fiscal plan. The reduction is primarily due to:

- the devolution of BC Ferries to the new independent BC Ferry Services (3,430 FTE reduction);
- a delay in the transfer of the PNE to the City of Vancouver, resulting in the PNE employment being included as part of government for one more year (438 FTE increase); and
- the impact of funding changes for the Legal Services Society being fully reflected in the FTE count (117 FTE reduction).

The details of other FTE changes are provided in Table 1.8.

The 2004/05 FTE projection of 4,593 reflects the devolution of the PNE and other planned reductions. Full details are available in the Crown corporations' and agencies' service plans.

Regional authorities

In *Budget 2002*, the Ministry of Children and Family Development (MCFD) anticipated transferring up to 2,800 FTEs to governance authorities outside of the government reporting entity (GRE). It was subsequently determined that the governance authorities would remain inside the GRE. Consequently the 2,800 FTEs remain in the taxpayer-supported FTE count. In 2003/04, MCFD will begin this process by transferring 150 FTEs for Community Living Services to the governance authority with the remainder to be transferred in 2004/05.

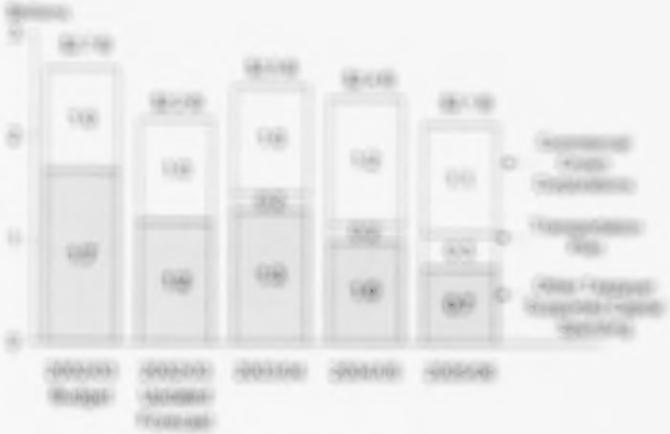
Table 1.8 **Three-Year Fiscal Plan Update - Full-Time Equivalents (FTEs)**
Changes from *Budget 2002*

FTEs	2002/03	2003/04	2004/05	2005/06
Ministries and special offices (CRF):				
***Budget 2002* Fiscal Plan**	31,608	28,460	23,233	
Changes:				
Anticipated 2002/03 underutilization	(1,508)	-	-	
Commercial vehicle safety and enforcement program transfer from ICBC	-	297	297	
Water management transfer to Land & Water BC Ltd	-	(88)	(88)	
Royal BC Museum transfer to taxpayer-supported agency	-	(127)	(118)	
Ministry of Children and Family Development transfer to governance authority[1]	-	(150)	-	
Additional requirements:				
New Shared Services Agency	-	157	157	
Legislation	-	70	70	
Attorney General (primarily Legal Services, Child/Youth office)	-	133	133	
Forest programs (primarily fire protection)	-	136	58	
Health Services (primarily paramedics)	-	51	52	
Transportation - new infrastructure	-	60	60	
Other ministry changes (net)	-	50	15	
	(1,508)	589	634	
***Budget 2003* Updated Fiscal Plan**	30,100	29,049	23,867	23,816
Taxpayer-supported Crown corporations and agencies:				
***Budget 2002* Fiscal Plan**	8,800	8,143	7,914	
Changes:				
Forecast reduction in Legal Services Society requirements	(117)	(117)	(117)	
Forecast increase for BC Assessment Authority	(10)	42	92	
Water management transfer from CRF	-	88	88	
Royal BC Museum transfer from CRF	-	127	118	
Devolution of BC Ferries	-	(3,430)	(3,457)	
Delay in transfer of PNE to City of Vancouver	-	438	-	
Other changes (net)	(45)	(21)	(45)	
	(172)	(2,873)	(3,321)	
***Budget 2003* Updated Fiscal Plan**	8,628	5,270	4,593	4,558
Regional authorities:				
***Budget 2002* Fiscal Plan**	-	-	-	
Changes:				
Inclusion of Ministry of Children and Family Development governance authorities[1]	-	150	2,800	
***Budget 2003* Updated Fiscal Plan**	-	150	2,800	2,800
Summary:				
Ministries and special offices (CRF)	30,100	29,049	23,867	23,816
Taxpayer-supported Crown corporations and agencies	8,628	5,270	4,593	4,558
MCFD governance authorities	-	150	2,800	2,800
***Budget 2003* Updated Fiscal Plan**	38,728	34,469	31,260	31,174

[1] In the *Budget 2002* Fiscal Plan, the Ministry of Children and Family Development anticipated transferring up to 2,800 FTEs to governance authorities, which were thought to be outside of the government reporting entity (GRE). Subsequent to the plan being released, it was determined that the governance authorities would remain inside the GRE.

Capital Spending[1]

Chart 1.6 Capital Spending Plan



Capital spending is needed to replace ageing infrastructure and to meet the needs of a changing population. Financing for the building of schools, hospitals, long-term care facilities, roads, dams and other forms of provincial infrastructure is largely met through borrowed funds and is a major component of provincial debt.

Over the next three years, combined annual capital spending of the government and taxpayer-supported and commercial Crown corporations and agencies will rise to $[illegible] billion before falling back to $[illegible] billion. The decline reflects the impact of government's Capital Asset Management Framework that balances the need for provincial infrastructure with the province's financial capacity. The framework encourages alternative service delivery and public-private partnership (P3) opportunities to meet the province's infrastructure requirements. P3s are expected to play a key role in the provincial Transportation Investment Plan (see topic box). For example, P3s are proposed for the Academic Ambulatory Care Centre in Vancouver and the Fraser Valley Health Centre: Eastern Fraser Valley Cancer Centre in Abbotsford.

Funding for Olympic venues is included as grants in the operating budget of the Ministry of Community, Aboriginal and Women's Services and therefore is not included as capital spending.

In 2003/04, capital spending will increase $[illegible] million from the updated 2002/03 forecast to total $[illegible] billion. The increase mainly reflects higher spending for transportation infrastructure, health facilities, ministry capital, expansion of the Vancouver Convention and Exhibition Centre, and BC Hydro projects. After 2003/04, capital spending will decline $[illegible] million in 2004/05 and $[illegible] million in 2005/06.

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[1] Capital spending is not included in the government's annual surplus or deficit. In accordance with generally accepted accounting principles (GAAP), annual amortization expenses that recognize the estimated wear and tear of capital assets during the fiscal year are included in the government's annual expenses instead of recording the full capital costs as they occur.

Significant changes in capital spending over the next three years are primarily due to:

- increased spending for transportation projects as part of the Transportation Investment Plan;
- expansion of the Vancouver Convention and Exhibition Centre;
- reduced spending for schools reflecting completion of ongoing projects combined with a reduction in the need for new student spaces; and
- reduced spending for health facilities reflecting affordability of government-funded capital projects, combined with planned investments through P3s.

Further details on capital spending over the next three years are shown in the service plans of ministries and Crown corporations.

As required under the *Budget Transparency and Accountability Act*, significant capital projects with multi-year budgets totalling $50 million or more are shown in Table 1.10. Annual allocations of the full budget for these projects are included as part of the provincial government's capital spending shown in Table 1.9.

Table 1.9 Capital Spending 2002/03 to 2005/06

($ millions)	2002/03 Budget Estimate	2002/03 Updated Forecast	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Taxpayer-supported:					
Education	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Transportation Financing Authority	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Ferries [illegible]	[illegible]	[illegible]	–	–	–
Rapid Transit Project 2000 [illegible]	[illegible]	[illegible]	[illegible]	–	–
Vancouver Convention and Exhibition Centre expansion	–	–	[illegible]	[illegible]	[illegible]
Government operating (ministries)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total taxpayer-supported	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Self-supported commercial:					
BC Hydro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Lotteries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Rail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Columbia River power projects [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liquor Distribution Branch	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total self-supported commercial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total capital spending	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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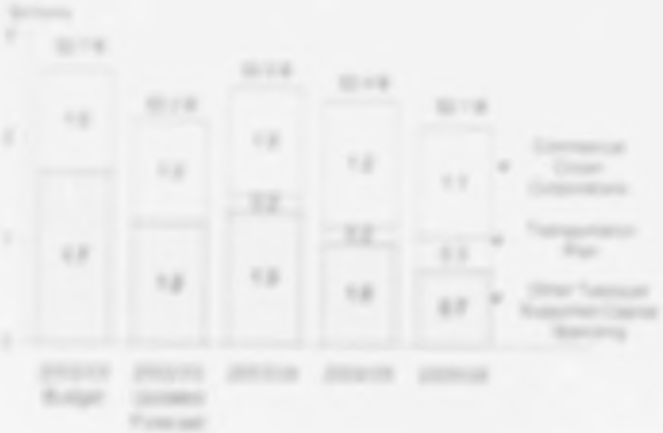
Capital Spending

Chart 1.4 Capital Spending Plan



Capital spending[1] is needed to replace aging infrastructure and to meet the needs of a changing population. Financing for the building of schools, hospitals, long-term care facilities, roads, dams and other forms of provincial infrastructure is largely met through borrowed funds and is a major component of provincial debt.

Over the next three years combined annual capital spending of the government and taxpayer-supported and commercial Crown corporations and agencies will rise to $2.5 billion before falling back to $2.1 billion. The decline reflects the impact of government's Capital Asset Management Framework that balances the need for provincial infrastructure with the province's financial capacity. The framework encourages alternative service delivery and public-private partnership (P3) opportunities to meet the province's infrastructure requirements. P3s are expected to play a key role in the provincial Transportation Investment Plan (see topic box). For example, P3s are proposed for the Academic Ambulatory Care Centre in Vancouver and the Fraser Valley Health Centre/Eastern Fraser Valley Cancer Centre in Abbotsford.

Funding for Olympic venues is included as grants in the operating budget of the Ministry of Community, Aboriginal and Women's Services and therefore is not included as capital spending.

In 2003/04, capital spending will increase $374 million from the updated 2002/03 forecast to total $2.5 billion. The increase mainly reflects higher spending for transportation infrastructure, health facilities, ministry capital, expansion of the Vancouver Convention and Exhibition Centre and BC Hydro projects. After 2003/04, capital spending will decline $139 million in 2004/05 and $250 million in 2005/06.

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[1] Capital spending is not included in the government's annual surplus or deficit. In accordance with generally accepted accounting principles (GAAP), annual amortization expenses that recognize the estimated wear and tear of capital assets during the fiscal year are included in the government's annual expenses instead of recording the full capital costs as they occur.

Significant changes in capital spending over the next three years are primarily due to:

- increased spending for transportation projects as part of the Transportation Investment Plan;
- expansion of the Vancouver Convention and Exhibition Centre;
- reduced spending for schools reflecting completion of ongoing projects combined with a reduction in the need for new student spaces; and
- reduced spending for health facilities reflecting affordability of government-funded capital projects combined with planned investments through P3s.

Further details on capital spending over the next three years are shown in the service plans of ministries and Crown corporations.

As required under the *Budget Transparency and Accountability Act*, significant capital projects with multi-year budgets totalling $50 million or more are shown in Table 1.10. Annual allocations of the full budget for these projects are included as part of the provincial government's capital spending shown in Table 1.9.

Table 1.9 Capital Spending 2002/03 to 2005/06

	2002/03		Budget		
($ millions)	Budget Estimate	Updated Forecast	Estimate 2003/04	Plan 2004/05	Plan 2005/06
Taxpayer-supported					
Education	466	386	407	317	283
Health [1]	273	134	203	178	161
BC Transportation Financing Authority	254	256	298	301	273
BC Ferries [2]	103	66	-	-	-
Rapid Transit Project 2000 [1]	143	89	42	-	-
Vancouver Convention and Exhibition Centre expansion	-	-	67	62	70
Government operating (ministries)	301	187	325	191	185
Other [3]	129	64	108	102	83
Total taxpayer-supported	**1,669**	**1,181**	**1,450**	**1,151**	**1,055**
Self-supported commercial					
BC Hydro	745	745	820	980	912
BC Lotteries	66	58	39	45	45
BC Rail	86	94	76	78	26
Columbia River power projects [4]	116	56	71	71	44
ICBC [5]	26	34	52	49	45
Liquor Distribution Branch	22	11	5	4	2
Total self-supported commercial	**1,061**	**998**	**1,063**	**1,227**	**1,072**
Total capital spending	**2,730**	**2,179**	**2,513**	**2,378**	**2,127**

[1] Net of expenditures by hospital districts for cost-shared projects and capital spending on behalf of, and recovered from, the Greater Vancouver Transportation Authority (TransLink).

[2] Effective April 1, 2003, the provincial coastal ferry system will be independently operated by BC Ferry Services, and subject to independent regulation.

[3] Includes BC Housing Management Commission, Provincial Rental Housing Corporation, BC Buildings Corporation, Ministry of Attorney General, Ministry of Public Safety and Solicitor General, Ministry of Children and Family Development, and BC Transit.

[4] Columbia Power Corporation and Columbia Basin Trust.

[5] Includes ICBC Properties Ltd.

Table 1.10 Capital Expenditure Projects Greater Than $50 million[1]

			Estimated					Total Project	
($ millions)	Start Date	Forecast Completion Date	Cumulative Spending at Mar. 31, 2003[2] +	Spending 2003/04 +	Spending 2004/05 +	Spending 2005/06 =	Cumulative Spending at Mar. 31, 2006	Budget[3]	Forecast[3]
Advanced education facilities									
UBC - Life Sciences Centre	Apr. 2002	Sept. 2004	17	56	37	-	110	110	110
Health facilities									
Vancouver General Hospital, Jim Pattison Pavilion	Sept. 2000	Jan. 2007[4]	65	47	36	3	151	156	156
Prince George Regional Hospital	Spring 2001	Mar. 2004	33	17	-	-	50	50	50
Total health facilities			98	64	36	3	201	206	206
Transportation									
Trans Canada Highway - 5 Mile (Yoho) Bridge	May 1999	Mar. 2006	20	7	9	4	40	38[5]	40[5]
Nisga'a Highway	Aug. 1998	Fall 2005	26	11	7	8	52	52	52
SkyTrain extension - phase 1	Sept. 1998	June 2003	1,075	42	-	-	1,117	1,167	1,117
SkyTrain fleet expansion[6]	Oct. 1998	June 2003	65	3	-	-	68	68	68
Total transportation			1,186	63	16	12	1,277	1,325	1,277
Power generation									
BC Hydro									
- Burrard upgrade (including 6 selective catalytic reduction systems)[7]	June 1993	June 2003	191	4	-	-	195	222	195
- Georgia Strait pipeline crossing[8]	April 2000[9]	Oct. 2005	31	12	59	68	170	131	170
- Vancouver Island generation project	April 2000[9]	Nov. 2005	83	62	135	90	370	370	370
- Addition of fourth generating unit at Seven Mile Dam	Feb. 1995	Mar. 2003	88	5	-	-	93	97	93
- Seven Mile Dam safety improvements	June 1999	Mar. 2005	26	33	25	-	84	100	84
- Customer information system	July 2001	Dec. 2003	39	24	-	-	63	63	63
- Finance business transformation	Jan. 1999	Apr. 2003	50	11	-	-	61	61	61
Brilliant Expansion Power Corporation[10]									
- Brilliant Dam power expansion	Oct. 2002	Aug. 2006	18	66	75	22	181	205	205
Total power generation			526	217	294	180	1,217	1,249	1,241
Other									
ICBC Properties Ltd.									
- Surrey Central City	Sept. 1999	Jan. 2003[11]	216	41	41	14	312	312	312
Vancouver Convention and Exhibition Centre expansion	2003	2008	-	67	62	70	199	230	230[12]
Seymour water filtration plant	Dec. 2002	Mar. 2006	50	-	-	-	50	50	50[13]
Total other			266	108	103	84	561	592	592

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[1] **Only projects that have been approved by Treasury Board and/or Crown corporation boards are included in this table. Ministry service plans may include projects that still require final approval.**

[2] Total expenditures since commencement of each project.

[3] Represents sum of annual budgeted expenditures to complete each project.

[4] Individual components were completed starting in December 2000 and will continue to be completed before the end of the overall project.

[5] Amount represents the provincial portion of this cost-shared project with the federal government. Total project budget is $61 million.

[6] Funds are fully recovered from the Greater Vancouver Transportation Authority (*TransLink*).

[7] Burrard generating station upgrade includes installation of Selective Catalytic Reduction (SCRs) systems on all 6 generating units. SCRs reduce emissions from the units and are required to meet the air quality standards for the Greater Vancouver Regional District.

[8] Project co-sponsored with a private sector company. The amounts shown represent BC Hydro's 50 per cent share of the costs; however, only partial funding has been approved to date.

[9] Initial planning, preliminary field work and engineering design costs. Physical construction will begin at a later date.

[10] A joint venture of the Columbia Power Corporation and the Columbia Basin Trust.

[11] The base building is substantially complete; however, work to prepare space for new tenants will extend well beyond this date.

[12] Amount represents the provincial portion of this cost-shared project with the federal government and the tourism industry. Total project budget is $550 million.

[13] Amount represents the provincial portion of this cost-shared project under the Canada/BC Infrastructure Program.

Over the next three years $1.3 billion will be spent on major capital projects (greater than $50 million) including:

- $91 million for existing major transportation capital projects. In addition, the Ministry of Transportation is investigating financial and project delivery options through P3s, for improvements to the Okanagan Lake Bridge in Kelowna, Park Bridge in the Kicking Horse Canyon and the *Sea-to-Sky* highway to Whistler.
- $196 million for health and education facilities including the Vancouver General Hospital, Prince George Regional Hospital and the UBC Life Sciences Centre.
- $691 million for power generation capital projects by BC Hydro and the Brilliant Expansion Power Corporation.
- $295 million for other projects including expansion of the Vancouver Convention and Exhibition Centre and tenant improvements for Surrey Central City.

Debt

In 2002/03, provincial debt is forecast to increase by $1.4 billion to total $37.3 billion, $3.5 billion below budget. In 2003/04, provincial debt will increase $3.7 billion from the 2002/03 updated forecast to total $41 billion.

The 2003/04 change reflects:

- a $2.8 billion increase in taxpayer-supported debt to finance operating and net capital requirements;
- a $733 million increase in commercial Crown corporation debt, largely due to increased borrowing for BC Hydro; and
- an increase of $200 million to the debt forecast allowance to bring the total to $500 million (to mirror the income statement forecast allowance).

Over the following two years, taxpayer-supported debt will increase $576 million reflecting the annual operating and capital requirements under the fiscal plan. Self-supported debt will increase $524 million, mainly due to increased commercial debt to fund BC Hydro's capital program.

The debt forecast assumes a borrowing allowance of $500 million to mirror the deficit forecast allowance. This has the effect of raising the debt forecast by $500 million in 2003/04 and each subsequent year. However, should the government not require this allowance, projected debt levels under the fiscal plan would be $500 million lower for 2003/04 and thereafter.

Table 1.11 Provincial Debt Summary [1]

		2003		Budget		
	Actual		Updated	Estimate	Plan	Plan
As at March 31	2002	Budget	Forecast	2004	2005	2006
			($ millions unless otherwise indicated)			
Taxpayer-supported debt						
Provincial government direct operating	13,789	17,182	15,564	17,782	17,714	17,272
Education facilities	5,517	6,012	5,813	6,170	6,445	6,688
Health facilities	1,920	2,199	2,022	2,205	2,367	2,514
Highways, ferries and public transit	4,639	5,060	4,831	4,987	5,134	5,311
Other [2]	1,310	1,148	1,051	902	870	837
Total taxpayer-supported debt	**27,175**	**31,601**	**29,281**	**32,046**	**32,530**	**32,622**
Self-supported debt						
Commercial Crown corporations and agencies	7,674	8,377	7,687	8,420	8,733	8,944
Warehouse borrowing program	1,067	-	-	-	-	-
Total self-supported debt	**8,741**	**8,377**	**7,687**	**8,420**	**8,733**	**8,944**
Forecast allowance	-	**750**	**300**	**500**	**500**	**500**
Total provincial debt	**35,916**	**40,728**	**37,268**	**40,966**	**41,763**	**42,066**
Total provincial debt as a per cent of GDP	27.4%	31.3%	27.9%	29.4%	28.4%	27.3%
Taxpayer-supported debt as a per cent of GDP	20.8%	24.3%	21.9%	23.0%	22.1%	21.1%
Taxpayer-supported debt per capita ($)	6,625	7,655	7,071	7,667	7,699	7,633
Taxpayer-supported interest bite (cents per dollar of revenue)	6.6	8.1	6.8	7.7	7.8	7.7

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

[2] Includes taxpayer-supported Crown corporations and agencies, other fiscal agency loans, student assistance loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

[3] Reflects the effect over the plan of a one-time debt increase in 2003/04 to reflect the operating statement forecast allowance. Since it is unknown as to which agency would require this debt in 2003/04, the borrowing allowance is shown as a separate item over the plan.

The ratio of taxpayer-supported debt, which excludes commercial Crown corporations and other self-supported debt, to GDP is a key measure often used by financial analysts and investors to assess a province's ability to repay debt. In 2003/04 taxpayer-supported debt is forecast to increase to 23 per cent of GDP before declining to 22.1 per cent of GDP in 2004/05 and 21.1 per cent of GDP in 2005/06. The change from the *Budget 2002* forecast reflects the $2.3 billion improvement in taxpayer-supported debt in 2002/03 and higher 2002 economic growth. Taxpayer-supported interest costs are expected to remain stable at just under eight cents per dollar of revenue over the three-year period.

Table 1.12 summarizes the provincial financing plan for 2003/04. New borrowing of $6 billion is anticipated, of which $2.3 billion will be used to replace maturing debt and $3.7 billion to finance capital and operating requirements.

Table 1.11 Provincial Debt Summary [1]

	Actual	2003		Budget Estimate	Plan	Plan
As at March 31	2002	Budget	Updated Forecast	2004	2005	2006
			($ millions unless otherwise indicated)			
Taxpayer-supported debt						
Provincial government direct operating	13,789	17,182	15,564	17,782	17,714	17,272
Education facilities	5,517	6,012	5,813	6,170	6,445	6,688
Health facilities	1,920	2,199	2,022	2,205	2,367	2,514
Highways, ferries and public transit	4,639	5,060	4,831	4,987	5,134	5,311
Other [2]	1,310	1,148	1,051	902	870	837
Total taxpayer-supported debt	**27,175**	**31,601**	**29,281**	**32,046**	**32,530**	**32,622**
Self-supported debt						
Commercial Crown corporations and agencies	7,674	8,377	7,687	8,420	8,733	8,944
Warehouse borrowing program	1,067	-	-	-	-	-
Total self-supported debt	**8,741**	**8,377**	**7,687**	**8,420**	**8,733**	**8,944**
Forecast allowance	-	**750**	**300**	**500** [3]	**500** [3]	**500** [3]
Total provincial debt	**35,916**	**40,728**	**37,268**	**40,966**	**41,763**	**42,066**
Total provincial debt as a per cent of GDP	27.4%	31.3%	27.9%	29.4%	28.4%	27.3%
Taxpayer-supported debt as a per cent of GDP	20.8%	24.3%	21.9%	23.0%	22.1%	21.1%
Taxpayer-supported debt per capita ($)	6,625	7,655	7,071	7,667	7,699	7,633
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[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

[2] Includes taxpayer-supported Crown corporations and agencies, other fiscal agency loans, student assistance loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

[3] Reflects the effect over the plan of a one-time debt increase in 2003/04 to reflect the operating statement forecast allowance. Since it is unknown as to which agency would require this debt in 2003/04, the borrowing allowance is shown as a separate item over the plan.

The ratio of taxpayer-supported debt, which excludes commercial Crown corporations and other self-supported debt, to GDP is a key measure often used by financial analysts and investors to assess a province's ability to repay debt. In 2003/04 taxpayer-supported debt is forecast to increase to 23 per cent of GDP before declining to 22.1 per cent of GDP in 2004/05 and 21.1 per cent of GDP in 2005/06. The change from the *Budget 2002* forecast reflects the $2.3 billion improvement in taxpayer-supported debt in 2002/03 and higher 2002 economic growth. Taxpayer-supported interest costs are expected to remain stable at just under eight cents per dollar of revenue over the three-year period.

Table 1.12 summarizes the provincial financing plan for 2003/04. New borrowing of $6 billion is anticipated, of which $2.3 billion will be used to replace maturing debt and $3.7 billion to finance capital and operating requirements.

Table 1.12 Provincial Financing

($ millions)	Debt [1] Outstanding at March 31, 2002	2002/03 Debt Change	Forecast Debt [1] Outstanding at March 31, 2003	2003/04 Transactions New Borrowing [2]	2003/04 Transactions Retirement Provision [3]	2003/04 Transactions Net Change	Estimated Debt [1] Outstanding at March 31, 2004
Taxpayer-supported debt							
Provincial government direct operating	13,789	1,775	15,564	3,437	1,219	2,218	17,782
Education facilities	5,517	296	5,813	494	137	357	6,170
Health facilities	1,920	102	2,022	211	28	183	2,205
Highways, ferries and public transit	4,639	192	4,831	291	135	156	4,987
Other debt [4]	1,310	(259)	1,051	31	180	(149)	902
Total taxpayer-supported debt	**27,175**	**2,106**	**29,281**	**4,464**	**1,699**	**2,765**	**32,046**
Self-supported debt							
Commercial Crown corporations and agencies	7,674	13	7,687	1,311	578	733	8,420
Warehouse borrowing program	1,067	(1,067)	-	-	-	-	-
Total self-supported debt	**8,741**	**(1,054)**	**7,687**	**1,311**	**578**	**733**	**8,420**
Forecast allowance	-	300	**300**	**200**	-	**200**	**500**
Total provincial debt	**35,916**	**1,352**	**37,268**	**5,975**	**2,277**	**3,698**	**40,966**

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[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

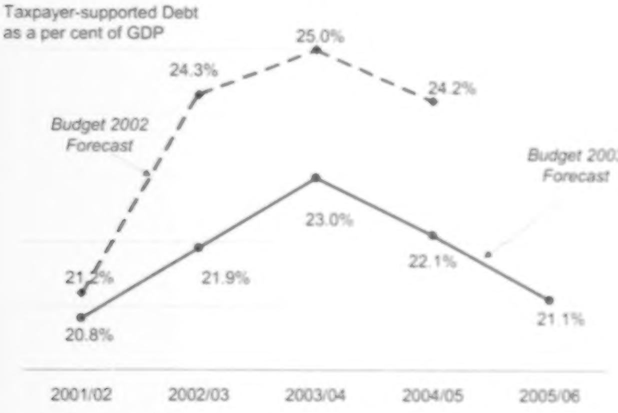
[2] New long-term borrowing plus net change in short-term debt.

[3] Sinking fund contributions, sinking fund earnings and net maturities of long-term debt (after deduction of sinking fund balances for maturing issues).

[4] Includes taxpayer-supported Crown corporations and agencies, other fiscal agency loans, student assistance loans, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

Further details on the debt outstanding for government, Crown corporations and agencies are provided in Appendix Tables A15 and A16.

Chart 1.5 Taxpayer-Supported Debt-to-GDP



Risks to the Fiscal Plan

The risks to the fiscal plan stem mainly from changes in factors that government does not directly control. These include:

- Assumptions underlying revenue and Crown Corporation and agency forecasts such as economic and population growth, commodity prices and weather conditions.
- The outcome of litigation, arbitrations, and negotiations with third parties, such as the softwood lumber dispute.
- Debt interest rates and utilization rates for government services.

Table 1.13 summarizes the average bottom-line effect of changes in some of these variables. However, individual circumstances and inter-relationships between the variables may cause the actual variances to be higher or lower than the estimates shown in the table. For example, a decrease in equalization payments may offset an increase in natural resource revenue.

Table 1.13 Fiscal Sensitivities

Variable	Increases of:	Fiscal Impact ($ Millions)
Nominal GDP	1%	$200 - $300*
Lumber Prices (US$/thousand board feet)	$50	$130 - $165*
Natural Gas Prices (Cdn$/gigajoule)	50 cents	$110 - $160*
Wage & Compensation Rates	1%	- $175
US Exchange Rate (US cent/Cdn $)	1 cent	- $75*
Interest Rates	1 percentage point	- $130

* Revenue effects before adjustments due to equalization

Revenue

The revenue forecast contained in the fiscal plan is based on the economic forecast detailed in Part 3 – British Columbia Economic Review and Outlook. Details on major assumptions and sensitivities resulting from changes to those assumptions are shown in Appendix Table A11.The main uncertainties in the revenue forecast are:

- personal and corporate income tax assessments for 2002;
- B.C.'s overall economic performance;
- commodity prices, especially natural gas, lumber and electricity;
- the outcome of the softwood lumber dispute with the U.S.;
- how long low water levels will continue in the BC Hydro system; and
- B.C.'s equalization entitlements.

The equalization formula is very sensitive to economic developments in other provinces as well as in B.C. Additionally, changes to the equalization formula and revised population estimates as Statistics Canada finalizes the 2001 Census results, could all have significant effects on revenue.

Crown corporations and agencies have provided their own forecasts that were used to prepare the fiscal plan, as well as their statements of assumptions. The boards of those corporations and agencies have included these forecasts, along with further details on assumptions and risks, in the service plans being released with the budget.

The fiscal plan does not assume or make allowance for extraordinary adjustments other than those noted in the assumptions provided by the Crown corporations and agencies. Factors such as electricity prices, water inflows into the BC Hydro system, accident trends, interest exchange rates, decisions of an independent regulator, or pending litigation could significantly change actual financial results over the forecast period.

New decisions or directions by Crown corporation or agency boards of directors may result in additional costs due to restructuring, valuation allowances and asset write-downs, or gains and losses on disposals of businesses or assets. In addition, government is continuing to review the treatment of grants-in-lieu of property taxes paid by Crown corporations, although the overall fiscal impact of any change is not anticipated to be large.

In situations where revenue could benefit as a result of a negotiated or litigated settlement, no revenue increases have been assumed except where a detailed agreement-in-principle has been reached, as in the sale of components of BC Rail's marine division. Specifically no assumptions have been made as to potential benefits from various outstanding liabilities owing to BC Hydro, potential resolution of the softwood lumber dispute with the U.S., or possible border tax. Additionally, due to uncertainty as to the amounts and timing of revenues indicated in the February 5, 2003 First Ministers' Accord on Health Care Renewal, no Accord-related federal transfers have been included in *Budget 2003*.

Spending

The spending forecast contained in the fiscal plan is based on ministry and taxpayer-supported Crown corporation and agency spending plans and strategies. Details on major assumptions and sensitivities resulting from changes to those assumptions are shown in Appendix Table A12 and in ministry service plans.

Several options exist for dealing with major financial risks, should they arise. Ministries and Crown corporations and agencies may take action to mitigate the impact through specific or general cost reduction measures or reductions in service levels.

Highlights of spending risks:

Compensation

From March 31, 2003 through March 31, 2006 virtually all public sector collective agreements expire. The Working Agreement with the British Columbia Medical Association also expires during this period. The government's current bargaining mandate is 0-0-0 for the 2003/04 to 2005/06 period. Public sector employers may address legitimate skills shortages through market adjustment increases, however the government has not provided incremental funding to employers for market adjustment increases.

Demand-driven Programs

The government funds a number of demand-driven programs such as Pharmacare, K-12 education, student financial assistance and income assistance. The budgets for these programs reflect the best estimate of demand and other factors such as labour costs and price inflation. If demand is higher than estimated, this will result in a spending pressure to be managed.

Public Sector Program Delivery

The vast majority of government funded services are delivered through third party delivery agencies that provide programs such as acute and continuing health care, K-12 education, post-secondary education, and community social services. All of these sectors face cost pressures in the form of program demand, non-wage inflation and compensation increases.

The provincial government has implemented legislative changes to provide public sector delivery agencies with greater flexibility to determine how they will deliver services. The lower cost structure made possible by the legislative changes and upcoming accountability contracts with public sector delivery agencies is reflected in this plan. If public sector delivery agencies are unable to achieve the estimated savings, budgetary pressures could arise.

Treaty Negotiations

The government is committed to negotiating affordable, workable treaties with First Nations that provide certainty, finality and equality. The province will focus resources on key opportunities in order to reach settlements with First Nations and Canada over the next two to three years. Outcomes of negotiations could affect both the economic outlook and the fiscal plan.

Restructuring Costs

Ministry restructuring costs are based on preliminary estimates. Restructuring is a complex and detailed undertaking that takes time to plan and implement. The fiscal plan assumes that the restructuring process will be complete in 2003/04 and includes $350 million in non-recurring operating costs related to ministry restructuring. This estimate is based on assumptions around the number of people expected to leave government and the average cost of their departure, assumptions around reduced requirements for office space, and other costs such as systems changes, asset disposals and contract cancellation penalties.

As ministries implement their restructuring plans, better estimates of actual costs will become available. This could result in restructuring costs being higher or lower than assumed in the fiscal plan.

Catastrophes and Disasters

The spending plans for the Ministries of Forests, Public Safety and Solicitor General, and Water, Land and Air Protection include amounts to fight forest fires and other emergencies such as floods and blizzards. These amounts are based on a ten-year history of actual spending and on conditions of normal to moderate severity. Abnormal occurrences may affect expenses in these ministries and those of other ministries.

Pending Litigation

The spending plan for the Ministry of Attorney General contains provisions for settlements under the *Crown Proceeding Act* based on estimates of expected claims and related costs of settlements likely to be incurred. These estimates are based on a historical ten-year average of actual spending. Litigation developments may occur that are beyond the assumptions used in the plan (for example, higher-than-expected volumes, or size of claim amounts and timing of settlements). These developments may also affect expenditures in other ministries.

One-time Write-downs and Other Adjustments

Ministry budgets provide for normal levels of asset or loan write-downs. The overall spending forecast does not make allowance for extraordinary items other than the amount provided in the contingencies vote.

Contingencies

The fiscal plan includes a CRF contingencies vote of $370 million in 2003/04 and $300 million in 2004/05 and 2005/06, to help offset unforeseen spending pressures.

Accounting Policy

Government has committed to fully adopt generally accepted accounting principles (GAAP) by 2004/05 (see the Converting to GAAP topic box). Health authorities, hospital societies, school districts and colleges/post-secondary institutions will be included in the Government reporting entity by 2004/05. The expanded entity is not expected to have a material impact on the government's bottom line.

Capital Risks

The capital spending forecasts assumed in the fiscal plan may be affected by various factors including:

- weather and geotechnical conditions causing project delays or unusual costs;
- changes in market conditions, including service demand, inflation, borrowing costs and wage settlements;
- the outcome of environmental impact studies;
- cost-sharing agreements with other jurisdictions; and
- the ability to negotiate public-private sector partnership agreements.

Forecast Allowance

In 2002/03, the government will continue to build a forecast allowance into the bottom line to act as a cushion against possible deterioration in revenue and expense forecasts, and thus increase the likelihood of meeting the deficit target established in the fiscal plan.

A forecast allowance of $500 million – about two per cent of revenues – is included in the 2002/03 budget. This forecast allowance increases the expected deficit from the government's most likely forecast of $3.9 billion in 2002/03 to a more conservative forecast of $4.4 billion.

A corresponding $500 million borrowing allowance has also been included in the provincial debt forecast for 2002/03.

Forecast allowances are not included in the fiscal plan for the 2003/04 and 2004/05 years. The government will incorporate annual forecast allowances in the budgets for those years based on a risk assessment at that time.

Transportation Investment Plan

The province has developed a three-year transportation plan that will provide an additional $[illegible] million direct provincial investment in transportation infrastructure from 2003/04 to 2005/06. This will in turn leverage an additional $[illegible] billion in investment from federal, private and other partners over the same period.

The transportation plan is based on the following principles:

- The province will dedicate revenue sources to finance its contributions.
- Provincial spending on new transportation investments will not increase taxpayer-supported debt above previously planned levels.
- Federal cost-sharing will be sought on all eligible projects and programs.
- Additional transportation investment will be leveraged through partnerships with private partners.

A [illegible] cent per litre increase in the provincial fuel tax will fund new provincial investment in the transportation plan.

Investments funded through contributions from other partners will be financed through a combination of:

- Federal cost-sharing for eligible projects;
- Direct user-tolls;
- Financing arrangements under partnership agreements with private sector partners.

Provincial funding for these projects will total $[illegible] million at the end of 3 years. Adding in partner contributions will increase transportation investments to $[illegible] billion. It is projected that when all of these projects are completed, a total investment of $[illegible] billion in transportation infrastructure will have been achieved.

Further information on the three-year transportation plan can be found on the Ministry of Transportation website at [illegible].

Three-Year Transportation Investment Plan

	2003/04	2004/05	2005/06	Three-Year Total
	$ millions			
New Fuel Tax Revenue	[illegible]	[illegible]	[illegible]	[illegible]
	Additional Provincial Investment			
Rehabilitation	[illegible]	[illegible]	[illegible]	[illegible]
Northern and Heartland Roads	[illegible]	[illegible]	[illegible]	[illegible]
Airports and Ports	[illegible]	[illegible]	[illegible]	[illegible]
Border Crossing Infrastructure	[illegible]	[illegible]	[illegible]	[illegible]
Highway Corridors	[illegible]	[illegible]	[illegible]	[illegible]
Other Projects	[illegible]	[illegible]	[illegible]	[illegible]
Total Provincial Investment	[illegible]	[illegible]	[illegible]	[illegible]
Investments Funded Through Contributions From Other Partners	[illegible]	[illegible]	[illegible]	[illegible]

Health Care Renewal in British Columbia

Existing 2002/03 Service Plans for the Ministries of Health Services and Health Planning have been tabled. These two service plans are based on the existing health budget without reference to increased federal funding that the province will receive under the First Ministers' Accord on Health Care Renewal announced on February 5, 2003. British Columbia expects to receive new federal funding of $1.5 billion over the next three years as indicated in the table below, and is committing that every dollar of new federal funding will go toward health care – toward building a more sustainable, affordable and effective health system. Once government has assessed how to use the new funding, a revised service plan and supplementary estimates for the Ministries of Health Services and Health Planning will be presented to the Legislature.

2003 First Ministers' Accord on Health Care Renewal Impact on British Columbia

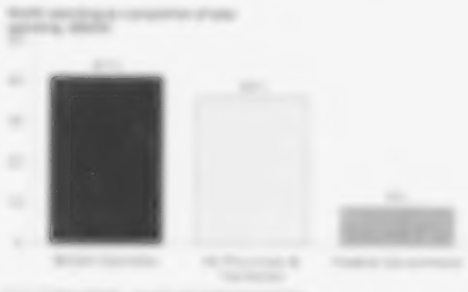
($ millions)	2003/04	2004/05	2005/06	Three Year Total
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

British Columbia is doing its share to improve patient care and control health care costs

British Columbia's health care costs have grown significantly faster than the rate of the economy over the past decade, and now account for 41 per cent of provincial government spending. British Columbia has added $1.1 billion to health care spending, a 12 per cent increase, in the past year alone. Clearly, these unsustainable increases are not the answer to protecting and improving health care over the long term. That's why British Columbia has begun an ambitious and wide-ranging health reform strategy, which includes:

Provinces/Territories more committed to Health spending than Federal Government



- Reducing the number of health authorities from 52 to 6, and establishing new performance agreements with them to ensure accountability for patient outcomes while allowing for flexibility in service delivery;
- Creating a network of health services to provide British Columbians access to a range of acute care services, including emergency services, within a standard time frame;
- Better serving the needs of people who are seriously ill, including those with chronic or terminal illnesses, so they can live independently, with dignity and with the highest quality of life possible;
- Providing incentives to increase access to full service, primary health care, particularly in rural areas;
- Putting a greater focus on health promotion and illness prevention, so British Columbians have access to the tools and information they need to become partners in their own health and well-being; and
- Working with other provinces to control drug costs through measures such as a common drug review process.

Federal funding share declining

By contrast, federal support to health care and other social programs has long been declining, and the provinces have been forced to assume a much higher percentage of total health spending. Since medicare was implemented, the federal share of over-all health spending has decreased from 50 per cent to just 14 per cent.

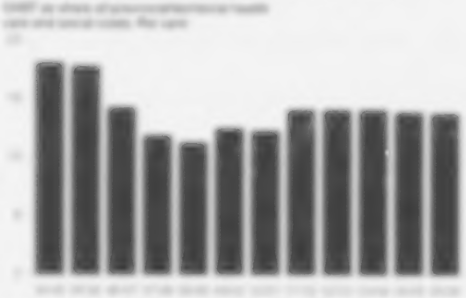
These federal shortfalls have become acute in the past decade. Since 1994, the provinces' annual health and social spending has increased by $32.5 billion. In that same time, the Canada Health and Social Transfer to provinces has increased by less than $0.5 billion.

British Columbia's position on new federal funding for health

The chart shows that the small increases to Canada Health and Social Transfer (CHST) in the late-1990s did not go nearly far enough in restoring federal funding to health care. The province is concerned that even these small gains will be lost without new and sustained federal action. That is why the province has been urging the federal government to make a significant commitment to health care and bring the CHST back up to the 1994/95 level of 18 per cent of provincial health care costs.

As the provincial budget goes to print, the impact of the 2003 First Ministers' Accord on Health Care Renewal has yet to be fully determined. The new federal funding announced in the Accord is expected to support innovations and sustainability.

Without Federal transfer increases, a fairer Federal share of health care costs cannot be achieved



Source: [illegible]

The $1.3 billion British Columbia expects to receive will be used:

- To sustain existing plans to build a better health system;
- To continue the reforms in the areas of primary care, home care and catastrophic drug coverage; and
- To ensure appropriate levels of diagnostic and medical equipment, training and services.

Over the coming weeks, the Health ministries will be updating their service plans to reflect the direction and additional resources made available through the Accord.

Education - Key to our Future

K-12 Education Sector

K-12 Education Budgets

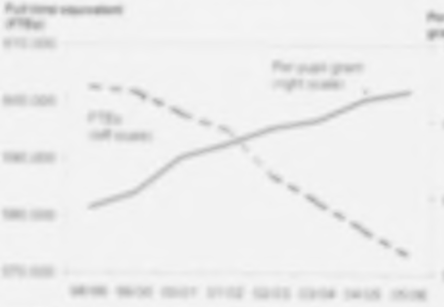
Recognizing the importance of education to both the economy and society, the provincial government has protected and increased the Education budget and will now begin to increase funding as the economy grows.

- School districts were provided additional one-time funding of $45 million in 2001/02 to improve student achievement and a further $50 million of one time funding will be provided in 2002/03.
- The budget in 2003/04 will be maintained at $4.86 billion.
- In 2004/05 there will be a budget increase of $83 million and a further budget increase of $60 million in 2005/06.

Enrollment and Per Pupil Funding

The enrollment in schools has been declining since 1998/99. In the 2003/04 school year, public school enrollment is projected to decline approximately 4,700 students (0.8 per cent) from 2002/03.

Enrollment and per pupil funding



Source: Ministry of Education

Enrolment has declined by 18,023 student FTEs (3.0 per cent) since 1998/99 and a further decline of 15,981 student FTEs (2.4 per cent) is anticipated over the 2003/04 - 2005/06 period.

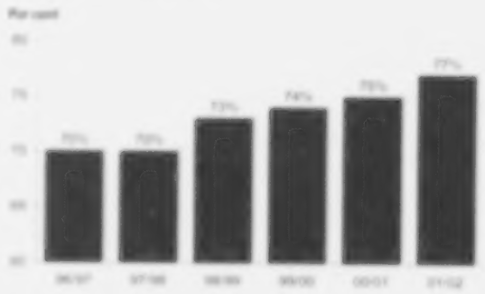
At the same time, the per pupil funding has increased. The per pupil amount for the 2003/04 school year will increase $51 from 2002/03 and is projected to increase $139 in 2004/05 and $53 in 2005/06.

K-12 Performance

The two key goals of the Ministry of Education are improved student achievement and a high quality, performance-oriented education system in British Columbia.

The school completion rate is the percentage of Grade 8 students who graduate with a Dogwood Diploma within six years. Over the past six years, the percentage has increased from 70 per cent in 1996/97 to 77 per cent in 2001/02. The ministry's plan is to meet or exceed the 77 per cent completion rate over the next three years.

School completion rates



Source: Ministry of Education

Further information on performance measures, ministry goals and challenges can be found in the ministry service plan and on the government website.

Post Secondary Education (PSE) Sector

PSE Budgets

The government is continuing to protect funding for PSE and will begin to increase grants as the economy grows:

- 2002/03 spending includes additional one-time contributions of $23 million to institutes for funding of Leading Edge Chairs at B.C. universities and Regional Innovation Chairs at the province's colleges, along with needs in other priority areas.
- 2003/04 and 2004/05 funding will be maintained at $1.90 billion
- 2005/06 funding will be increased by $30 million to $1.93 billion.

PSE Enrollment

Currently, there are 157,700 student spaces in public post-secondary institutions. The private academic degree-granting sector has approximately 8,000 spaces.

The government is increasing access to PSE to create more opportunities for students to fill the need for skilled professionals in the province. Some highlights include:

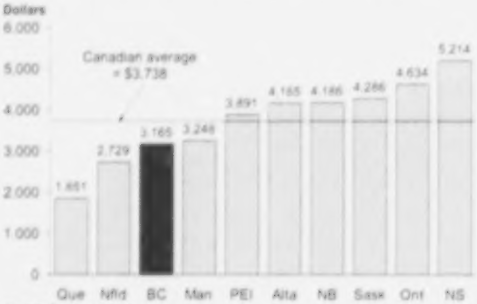
- adding 2,700 new student spaces in 2002/03, including 825 new spaces for computer science and electrical and computer engineering and 700 new spaces for nurses and health care workers;
- completion of a $45-million Leading Edge Endowment Fund, cost-shared with the private sector, to establish 20 BC Leadership Chairs in the fields of medical, social, environmental and technological research – the first Leadership Chair in spinal cord research has already been established;
- commit $7.5 million to establish 6 Regional Innovation Chairs at provincial colleges;

Supporting research and development through the Michael Smith Foundation for Health Research, investments in the BC Knowledge Development Fund, a life sciences strategy and a $110 million Life Sciences Centre.

Tuition

Lifting the tuition freeze and allowing institutions to set their own tuition provides greater flexibility in expanding programs and services for students. The following chart shows that B.C. is third lowest among the provinces and below the Canadian average for university undergraduate tuition fees.

2002/03 Average undergraduate university tuition fees



Source: Statistics Canada

Further information on performance measures, ministry goals and challenges can be found in the ministry service plan and on the government website.

Crown Corporation Restructuring Update

When *Budget 2002* was prepared, the Core Services Review of commercial Crown corporations was in progress. Since that time, a number of policy decisions have been made on the mandates and service delivery models for British Columbia's major Crown corporations. These are now reflected in *Budget 2003*.

British Columbia Ferry Corporation:

In December 2002, government announced a major restructuring of BC Ferries. Coastal ferry services will be delivered by a *Company Act* corporation, BC Ferry Services, which will be governed by the British Columbia Ferry Authority, an oversight body modelled on the Vancouver International Airport Authority. An independent regulator will regulate rates, and both BC Ferry Services and the Ferry Authority will move outside government's reporting entity.

The restructuring will affect the fiscal plan as follows:

- BC Ferries' net assets in BC Ferry Services will be exchanged at net book value (approximately $500 million) for a combination of preferred shares and a bond issued to the province by the new corporation.
- Provincial fuel tax of $75 million will no longer be paid to BC Ferries. Instead, the government will enter into a services contract with the new corporation for an annual fee of $106 million.
- Annual dividend and interest earnings of $30 to $37 million from the preferred shares and the bond will offset the loss of projected BC Ferries net income.
- The government will incur a $77 million onetime negative accounting adjustment in 2002/03 for previous capital grants to BC Ferries.
- BC Ferries net income, capital spending, assets, liabilities and debt will not be recorded on government financial statements after 2002/03.

As part of its restructuring, BC Ferry Corporation is concluding an auction of the *PacifiCats* on March 24, 2003.

British Columbia Hydro and Power Authority:

In November 2002, a new energy policy entitled "Energy for Our Future: A Plan for BC" included a number of structural changes for BC Hydro. Government will legislate a "heritage contract" to lock in for an extended period the low-cost benefit to British Columbians from the corporation's publicly-owned hydro and other generation assets. New power requirements will be competitively sourced from the private sector.

In keeping with the Energy Plan's direction to focus on core services, BC Hydro will be outsourcing its customer service, IT and other administrative functions to a joint venture with Accenture. Approximately one-third of BC Hydro's workforce (1,700 employees) will move to the new organization. Transition costs will be offset by cost savings of $250 million over 10 years. Additional revenues may accrue to BC Hydro through marketing similar services to other utilities in North America.

A key Energy Plan initiative is the establishment of a new BC Transmission Corporation to manage, operate and maintain BC Hydro's transmission system based on open access principles. This new publicly owned corporation is expected to be operational by mid-2003, and will position the Province as a continuing active participant in west coast energy markets.

After no general rate increase in 10 years, BC Hydro will return to full BC Utilities

Commission oversight in April 2003. Future rate setting will factor in the cost of new power supplies, the maintenance associated with ageing assets and the requirement to earn a positive rate of return on equity. Any rate increases are subject to regulatory approval. No rate increase has been incorporated into *Budget 2003* or BC Hydro's Service Plan.

BC Rail Group:

The Core Services Review of BC Rail resulted in a focus on its rail freight business, and divestment of non-core assets and unprofitable businesses. Key restructuring initiatives include:

- discontinuation of intermodal and uneconomic passenger rail services;
- divestiture of the BCR Marine division (Vancouver Wharves, Canadian Stevedoring, and Casco Terminals); and
- divestiture of non-rail subsidiary transportation businesses (Finlay Navigation).

As a result of these initiatives, BC Rail reported asset re-valuation and other restructuring costs in January 2002 totalling $100 million. These costs were reflected in the government's 2001/02 financial statements as part of the adjustment to BC Rails' reported results to match them to government's fiscal year.

In January 2003, the sale of Casco Terminals and Canadian Stevedoring to P&O Ports for $105 million was announced. This transaction is expected to close in February 2003, and proceeds will be used to defease long-term debt and reduce short-term debt requirements. Gains of approximately $30 million on this sale will be offset by further asset re-valuations. These transactions will be reported by government in its 2002/03 financial statements.

The restructuring is expected to result in improved operating results for BC Rail as it sheds the annual losses from these discontinued operations and reduces its debt servicing costs.

Insurance Corporation of British Columbia:

ICBC restructuring has focused on regulation to improve the competitive environment, aggressive cost control, and the return of certain functions to government.

In November 2002, government announced that ICBC will continue to be the sole provider of basic auto insurance, but will be overseen by an arms-length regulator. The regulator will:

- replace Cabinet as the body responsible for setting basic insurance rates;
- ensure an open and transparent process for basic insurance rate-setting, including greater public input to rate reviews on basic insurance;
- ensure basic insurance does not subsidize optional products, and that ICBC does not use its dominant position to compete unfairly in the optional insurance market;
- permit optional insurance rates to be governed on a business basis.

As part of its move to private-sector competitive status, ICBC will be expected to provide a return on equity to government, commensurate with what a private insurance company would have to provide its shareholders. ICBC will also be expected to increase its capitalization to match industry requirements. The regulator will incorporate these requirements into its review of ICBC's operations when setting future insurance rates.

ICBC has been able to mitigate the effects of increasing claim costs and reduced returns on its investment portfolio through reducing its costs. The workforce has been cut by 20 per cent (just over 1,300 employees) since its peak in April 2001, the number of claims centres has been reduced, and processes and programs have been streamlined. Overall, the controllable costs of the company have been reduced by more than 24 per cent in the last two years. Combined with average rate increases of 7.4 per cent in January 2002 and 4.8 per cent in January 2003, the net effect is improved net income for 2002 and 2003, compared to the *Budget 2002 fiscal plan*.

Commercial vehicle compliance and motor carrier functions will be transferred back to the Ministry of Public Safety and Solicitor General and the Ministry of Transportation, respectively. ICBC and the provincial government will formalize the provision of other non-core services by ICBC on behalf of government in a services contract.

Converting to GAAP

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants establishes Generally Accepted Accounting Principles (GAAP) for senior governments. British Columbia's *Budget Transparency and Accountability Act* requires all financial documents produced by the province under that legislation to fully comply with GAAP by fiscal 2004/05.

GAAP guidance is not static. In the past year, two major initiatives of PSAB have resulted in anticipated changes to:

- The criteria for determining which entities are included in the government reporting entity; and
- The basis upon which the government bottom line is calculated — moving from expenditure-based accounting (reporting tangible capital asset expenditures as they occur) to expense-based accounting (reporting annual capitalization and amortization of tangible assets).

In addition, PSAB is reviewing the method of accounting for certain entities that may be included in the government reporting entity (primarily school districts, universities, colleges and health authorities - SUCH). Current guidance requires any of the SUCH entities that are included in the government entity to be consolidated on a line-by-line basis (adding assets, liabilities, revenues and expenses to those of government). PSAB is reviewing this guidance to determine if modified equity accounting (adding an agency's net income to government's bottom line) might be more suitable. Changing the method of accounting would have no impact on government's bottom line.

All senior governments follow GAAP in the preparation of their Public Accounts. However, the application of GAAP across provinces is inconsistent. This is due to the fact that GAAP guidelines are principle based rather than rule based, and therefore, in many instances, professional judgement is required to interpret and apply the guidelines.

Within this changing environment, British Columbia is the only senior government within Canada, to legally require adherence to GAAP for *Estimates, Budgets, Quarterly Reports and Public Accounts*.

For the most part, British Columbia's 2002/03 financial documents comply with GAAP. The two main exceptions are:

- The way taxpayer-supported Crowns are presented in the *Estimates, Budget* and *Quarterly Reports*; and
- The definition of the reporting entity (the province does not fully include the SUCH sector).

Two other technical deviations from GAAP are the use of prepaid capital advances to provide capital funding to the SUCH organizations, and the capitalization by government of tangible capital assets. In both cases, it is anticipated that government will not be required to change its accounting policies, since GAAP guidelines are changing and are expected to accommodate existing government policies by *Budget 2004*.

Accounting Policy Advisory Committee

To assist the province in moving to full compliance with GAAP, the province established an Accounting Policy Advisory Committee. The Committee is comprised of professional accountants independent of government, and its role is to advise Treasury Board on the implementation of GAAP. The Committee's advice has been sought in areas where the implementation of GAAP requires significant professional judgement - such as the determination of the government reporting entity.

Implementation of GAAP

The implementation of GAAP will have two major impacts on government financial reports:

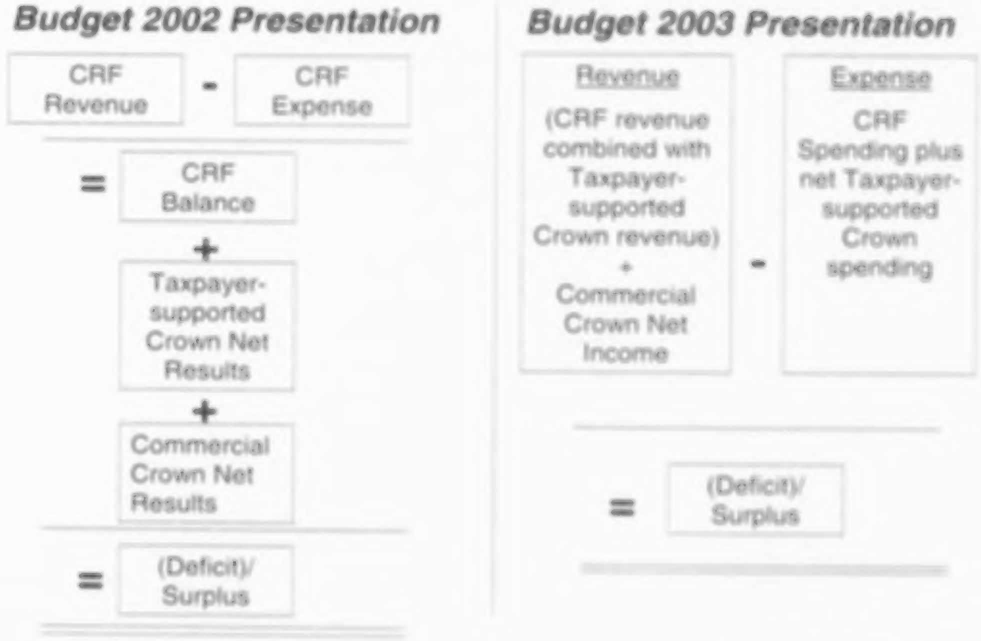
- In 2003/04 the *Estimates*, *Budget* and *Quarterly Reports* will fully consolidate the taxpayer-supported Crown corporations and agencies. The change will not affect the government's bottom line since the current fiscal plan includes the bottom line results of these Crowns and agencies. This change in presentation is being done a year ahead of the 2004/05 legislated deadline for full GAAP compliance in order to clearly separate the changes relating to the Crown agency consolidation from the entity expansion that will take place in 2004/05. The change this year will have minimal impact on the Public Accounts since the taxpayer-supported Crowns and agencies are already fully consolidated in that document.

  While fully consolidating the government's Consolidated Revenue Fund (CRF) with the taxpayer-supported Crown corporations and agencies, the new *Estimates* presentation also maintains CRF ministry expenses (which are detailed in the *Estimates* for legislative approval) as a key element of the expense statement. An expense-by-function format is also provided for full compliance with GAAP.

  The net incomes of the commercial Crown corporations are included with government revenues. This enables the net effect of the taxpayer-supported organizations to be separated from that of the commercial enterprises, as recommended by the Auditor-General. The simplified schematic in this topic box contrasts the previous and the current presentation formats.

- In 2004/05 the reporting entity will be expanded to fully include school districts, colleges, and health authorities.

Changes to Accounting Presentation



Budget 2002 Presentation

Budget 2003 Presentation

CRF Revenue
-
CRF Expense
=
CRF Balance
+
Taxpayer-supported Crown Net Results
+
Commercial Crown Net Results
=
(Deficit)/ Surplus
Revenue
(CRF revenue combined with Taxpayer-supported Crown revenue)
+
Commercial Crown Net Income
-
Expense
CRF Spending plus net Taxpayer-supported Crown spending
=
(Deficit)/ Surplus

The inclusion of universities is less clear and will be the subject of further discussion between the government, the Accounting Policy Advisory Committee and the Auditor General. Including these organizations in the government reporting entity does not affect those organizations' bottom lines. Nor should the change materially affect the government's bottom line since the government Contingencies Vote will be available to offset any possible negative impact associated with the expanded entity. In addition, school districts will receive $25 million in 2004-05 and $35 million in 2005-06 further reducing the possibility of a negative impact from moving to GAAP.

Universities

As previously noted, GAAP guidance related to determining the government reporting entity is currently undergoing a major review. It is anticipated that very shortly the criteria for inclusion will be changed from organizations that "are accountable to, and owned or controlled by government" to "organizations that are controlled by government". With the increased focus on control, the new guidelines will include indicators that will assist in the determination of whether or not an entity is controlled (or not controlled) by government.

The indicators clearly show that school districts, colleges and health authorities should be included in the government reporting entity. However, the indicators make a strong case for the exclusion of universities from the government reporting entity. This view is supported by the Accounting Policy Advisory Committee. Discussions with the Auditor General regarding the status of universities are ongoing.

Conclusion

These steps demonstrate the government's commitment to comply with GAAP by *Budget 2004*. The process will require the commitment, effort and support of all agencies involved, in particular school districts, colleges and health authorities, in implementing this plan.

Opening Up BC to a Strong and Vibrant Economy

British Columbia is already one of the best places in the world to live, work and invest. British Columbians have the longest life expectancy of anywhere in Canada and studies often place our cities at or near the top in world rankings for quality of life.

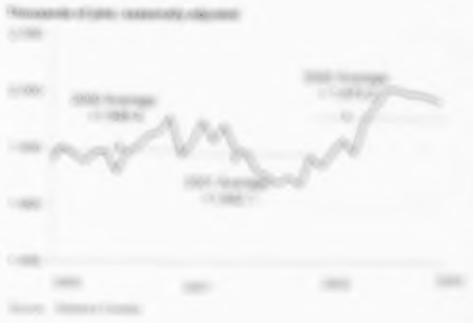
The province is rich in resources. British Columbia's forests remain a cornerstone of the economy. In the North East, oil and natural gas development plays an increasing role in the economy and the potential for growth is significant. The mining industry has shown renewed interest in British Columbia's abundant mineral deposits. The province's four season resorts are capturing the attention of the international travel market. Finally, the extraordinary beauty and isolation of British Columbia's wilderness areas offer unlimited potential for eco and adventure tourism.

Despite these advantages, the province failed to realize its economic potential during the 1990s, stifled by high taxes, burdensome regulation and unsustainable fiscal policy. Last year's Budget and Fiscal Plan included an ambitious strategy for opening up the provincial economy and restoring confidence in British Columbia's economic future. The plan contained four key elements:

- Developing a stable and competitive policy framework;
- Ambitious, but achievable strategies for key sectors of the economy;
- Moving towards efficient, performance-based environmental policy; and
- A flexible, responsive and affordable education system for British Columbians of all ages.

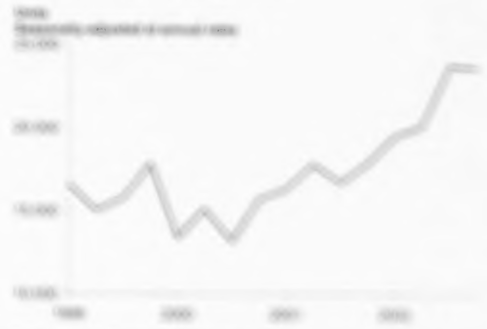
The new B.C. Heartlands Economic Strategy builds on the government's overall economic plan. It will focus on opening up opportunities in British Columbia's regions through new partnerships with First Nations, new investments in transportation infrastructure, new sport and recreation opportunities and taking full advantage of the provincial resource base.

British Columbia job growth



Source: Statistics Canada

British Columbia housing starts



Source: Canada Mortgage and Housing Corporation

The government has already made progress in reenergizing the provincial economy. While it will take time for British Columbia to fully regain its historic position as an economic leader in Canada, some success is already evident in recent economic indicators. The economy created almost 76,000 new jobs during 2002, one of the best job creation performances in Canada.

The government remains committed to its economic strategy. Although much has been accomplished, much still remains to be done. The objective is clear:

- to build a strong and vibrant economy characterized by new investment, new job opportunities and a higher standard of living for British Columbians.

Stable and Competitive Policy Framework

Responsible Fiscal Policy and a Competitive Tax Structure

The government remains on track to balance the budget by 2004/05 and has moved to improve accountability and transparency. Legislation requires a balanced budget in 2004/05 and future years. In addition, 20 per cent of the Premier's and Cabinet Ministers' pay depends on meeting the government's overall bottom line target and their specific targets each year.

British Columbia's tax system is now competitive. After cutting personal income taxes by 25 per cent, the overall level of taxes for British Columbia families are the second lowest in the country. And the province has the lowest income tax rates in the country for the bottom two tax brackets.

[illegible]

	BC	Alta	Sask	Man	Ont	Que	NB	NS	PEI	Nfld
Family of Four:										
$30,000 income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$60,000 income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$90,000 income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Single Person:										
$30,000 income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$60,000 income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Senior couple:										
$30,000 income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

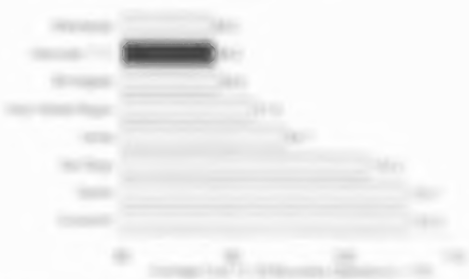
[illegible]

A substantial investment has also been made in restoring B.C.'s business tax climate. The province's ability to attract and retain investment has dramatically improved, due to:

- A lower corporate income tax rate;
- The elimination of the corporate capital tax;
- A new sales tax exemption for production machinery and equipment; and
- Other sector specific tax reductions.

A recent KPMG study confirms that Vancouver is extremely cost competitive in relation to other major cities.

Cost competitiveness for selected cities



[illegible]

The government is also continuing to respond to competitive concerns in specific industries. Budget 2003 includes new initiatives totalling $25 million by 2005/06 to assist the film, book publishing and new media industries and to increase the supply of venture capital in the province. (These measures are described in more detail later in this topic box and in Part Two: Revenue Measures.)

Deregulation

As part of the deregulation initiative, almost 30,000 unnecessary regulatory requirements have been eliminated. The government has exceeded its commitment to eliminate two requirements for every new one introduced by eliminating three regulations for every new one introduced.

Companies will soon be able to use a single business number to complete several business processes at one time, including incorporations, re-organizations and data maintenance. The new *Business Corporations Act* will provide greater flexibility and make the province a more attractive location to do business. The new Act adopts the latest and best ideas from other jurisdictions, clarifies the rules and embraces technological advances such as electronic filing.

Also, comprehensive reform changes have been introduced to the Workers Compensation Board (WCB) including a new representative governance model, a more sustainable approach to pensions and benefits and a more responsive and timely appeal system.

Provincial employment standards have been amended to recognize the realities of today's economy. The changes create greater workplace flexibility and address unique working conditions in specific sectors such as high tech, while maintaining essential employee protections. Work continues on making the provincial employment standards responsive to the unique needs of specific industries. Discussions with stakeholders are ongoing, with changes planned for Spring and Fall 2002.

Eliminating Business Subsidies

Consistent with a New Era commitment, business subsidies that provide an economic advantage on a selective basis have been eliminated. This has improved the investment climate by offering assurance that unsuccessful firms will not be artificially propped up at the expense of their stronger competitors.

Infrastructure

Investment and planning is a decisive factor in a modern, efficient transportation system. The government has announced a multi-year plan to open up the province by building an integrated and competitive transportation system throughout British Columbia.

The initial three-year plan includes direct provincial investment of $690 million that will help leverage an additional $1.7 billion in investment by the federal government, the private sector and other partners.

A revitalized transportation system will:

- support B.C.'s exports by increasing access and improving efficiency for the province's resource industries, tourism and other local businesses;
- improve access to trade gateways such as ports, airports and border crossings; and
- ease the movement of goods and services in urban areas.

The focus of the plan will be on:

- upgrading and improving main highways, including the Golden to Yoho corridor to four lanes;
- rehabilitating and expanding the province's rural road system through a three year investment of $225 million to improve the condition of 2,000 kilometres of side roads;
- enhancing public transit and encouraging alternative forms of transportation in urban areas;
- easing border congestion; and
- investing in ports and airports.

The provincial contribution to the plan will be financed through a dedicated increase of 3.5 cents per litre in gasoline and diesel fuel taxes that will generate $211 million in 2002/03 and a three-year total of $676 million by 2004/05.

In addition to a new transportation investment plan, the government has implemented a new capital asset management framework that encourages innovative and responsible uses of resources in the provision of public sector infrastructure. The framework provides for alternative service delivery options including public private partnerships (P3s).

Partnerships B.C. is pursuing P3s that maximize private sector investment and improve customer service while maintaining costs and risks to taxpayers. We are already underway with a new ambulatory [illegible] care centre in Vancouver and the new Fraser Valley Health Centre in Abbotsford.

[illegible] will be [illegible] this year for the development of [illegible] healthcare and information technology infrastructure.

Strategies for Key Sectors

As part of the economic strategy laid out in the 2002/03 – 2004/05 *Budget and Fiscal Plan* the government committed to ambitious but achievable strategies for key sectors of the economy. This section reports on progress in these strategies, and on the challenges and opportunities that lie ahead.

Forestry

Despite the uncertainty and hardship associated with the softwood lumber dispute, the forest industry remains a cornerstone of the provincial economy. Reaching a stable long-term resolution to this dispute continues to be a key objective of the government. Failure to accomplish this goal is a major risk to the economic future, particularly in forest-dependent communities.

In addition to pursuing a resolution to the softwood dispute, the government has taken several steps to improve the long-term viability of the industry and improve its competitiveness. The new *Forest and Range Practices Act* replaces the Forest Practices Code with a results-based regulatory regime. The new regime will come into effect April 1, [illegible] and will substantially reduce industry costs while ensuring sustainability and protecting other values associated with British Columbia's forests.

More timber will be available for value-added, smaller tenure operators through the BC Timber Sales program.

The government is seeking public input on a proposal to designate [illegible] per cent of provincial Crown land as working forest. The proposal is designed to increase certainty of access for the forest industry and to balance the economic, environmental and social values associated with British Columbia's forests. The province now has [illegible] per cent of its land base set aside for parks and substantially more in protected areas.

The proposed working forest designation will not limit treaty negotiations with First Nations. Government will still be required to meet its legal obligations to consult with First Nations and work to accommodate their interests.

The government has allocated $[illegible] million in [illegible] rising to $[illegible] million in [illegible] and to $[illegible] million in [illegible] for revenue sharing arrangements with First Nations. The distribution of revenue sharing will be negotiated with First Nations in exchange for legal certainty that allows all regions and British Columbians to prosper from their resource industries.

In addition to these important initiatives the government remains committed to moving to a market-based stumpage system and introducing tenure policy reforms to improve industry flexibility and competitiveness.

To assist in the transition, $[illegible] million has been set aside in [illegible]. This one-time commitment will be used to help manage the changes needed to rebuild a healthy, vital and sustainable forest industry. Fair compensation will be available for existing tenure holders based on the [illegible] and costs of [illegible].

Energy Development

The province's new energy plan is designed to capitalize on British Columbia's competitive advantage in energy by increasing investment in the energy sector and maintaining low cost electricity and public ownership of BC Hydro.

Competitive power prices in B.C.

	Representative Residential	Representative Industry General Use	Representative Large Industry
	[illegible]		
New York, NY	14.2	13.2	9.6
Los Angeles, CA	13.4	8.7	7.5
Seattle, WA	6.5	5.8	5.5
Toronto, ON	5.9	6.6	6.2
Montreal, QC	5.9	5.8	3.4
Vancouver, BC	5.8	5.9	3.1

[illegible]

The plan has four cornerstones:

Low electricity rates and public ownership of BC Hydro – B.C. residents will continue to enjoy among the lowest electricity rates in North America. These low rates will also help B.C. business and industry compete in an increasingly global economy.

Secure, reliable supply – Developing on-shore resources like coal, oil and natural gas, clean energy and other energy sources will help secure a reliable supply. Government is also working with the federal government, First Nations, communities and industry and academic experts to develop a knowledge base that will guide scientifically sound decisions related to offshore oil and gas development. By 2010 the government intends to have an environmentally sound offshore oil and gas industry in production.

More private sector opportunities – The private sector will be a key player in B.C.'s energy future by developing resources. Independent power producers will be able to access the transmission system and sell directly to large customers. This will stimulate new investment in power generation and give producers the confidence they need to expand supply.

Environmental responsibility and no nuclear power sources – Enhanced conservation and new investment in clean energy sources will help ensure the environment is protected for future generations. Conservation measures will include new rate structures that encourage BC Hydro's largest customers to minimize their power use. Distributors will also work towards acquiring 50 per cent of new electricity supply from clean sources.

The government has also taken concrete steps to accelerate the development of British Columbia's oil and gas sector including:

- introducing a competitive royalty regime for coal-bed methane that has already generated $7 million in new land sales and 20 wells drilled;
- strengthening the role of the oil and gas commission as a single window regulatory agency for the industry; and
- developing a new funding mechanism to ensure that new opportunities to enhance investment and government revenue can be pursued quickly and effectively.

These changes will reinforce British Columbia's developing reputation as the province of choice for new natural gas exploration and development in Canada.

Mining

Over the past year, changes in government policy, combined with improved prices, have considerably heightened the prospects for British Columbia's mining industry. The industry has started to recover from a turbulent and uncertain decade in the 1990s. Mineral exploration expenditure has increased 28 per cent since 2001 and the first new mine in almost a decade is set to open.

The government has restored a competitive tax environment through elimination of the capital tax and lowered corporation income tax rates. In addition, although many challenges remain, certainty of access has been improved by introducing a two-zone system for mineral exploration. Land is now designated as a "***Mineral Zone***" where land is open to mineral and coal exploration, or a

"***Protected Zone***" where Crown land is closed to mineral development.

The government will continue to improve the tax competitiveness, regulatory framework and certainty of access for the mineral sector. To this end, the mineral exploration tax credit will be extended for three more years until June 2006 and British Columbia's flow-through share exploration incentive will also be extended, subject to the federal government extending its credit.

In addition, revisions to the mineral exploration code will be completed to streamline the regulatory process and move to a performance-based regulatory environment.

High Tech

Despite the current economic uncertainty facing many high-tech companies, the future prospects for British Columbia's high tech sector remains bright. The government continues to work with the Premier's Technology Council to unleash this potential.

Recently, the Premier's Council has focused on the need for improved access to capital for start up and developing high tech companies. In response, the government is revamping the small business venture capital program to streamline and expand access to the program. In addition, to further improve competition in the venture capital market, the government will increase the tax credit budget for the labour sponsored venture capital program by $4 million annually. This will allow a third fund to enter the market with the ability to raise almost $27 million annually in additional equity capital over time.

Many of the tax cuts introduced last year are of direct benefit to the high tech sector including the reduction in the top marginal personal income tax rate to the second lowest in Canada, the elimination of the corporation capital tax on general corporations and the sales tax exemption for production machinery and equipment.

Other initiatives already underway include:

Doubling the number of university graduates in electrical engineering and computer science. The government and post secondary institutions have created 825 new spaces in 2002/03 and have committed to increasing this by 2,575 spaces by 2006/07.

Forging closer links between education and the economy. In April 2002 the government provided $2.25 million for the BC Leadership Chair for Spinal Cord Research. In total $45 million has been contributed to the Leading Edge Endowment Fund to create 20 B.C. Leadership Chairs, in partnership with the private sector. A further six B.C. Regional Innovation Chairs will be created at colleges. Also in 2002/03 through the government's BC Knowledge Development Fund and funding leveraged from the Canada Foundation for Innovation and other contributors, close to $175 million was invested in research infrastructure in the province.

These initiatives build on British Columbia's reputation for scientific innovation and will open up new opportunities to attract and retain high quality scientists to the province.

Film and Television

In July 2002, the premier announced the extension of the existing Film Incentive BC (FIBC) and Production Services Tax (PSTC) credits. These credits are designed to create a competitive tax environment for domestic and international film productions respectively.

After reviewing the competitive position of the animation and new media sectors, the government is introducing two new measures. First, a new bonus credit for digital animation and visual effects will be added to the existing FIBC and PSTC. Second $5 million dedicated to New Media will be added to the budget for tax credits under the small business venture capital program. This new funding will lever up to $17 million in new investments in this exciting growth industry.

In addition, the existing regional tax credit that is designed to attract location-based productions to areas outside Greater Vancouver will be enhanced by relaxing the eligibility criteria and introducing a new add-on credit to the PSTC.

To improve access for the film industry and remove barriers a draft, streamlined provincial permitting policy for film locations has been developed. The plan was developed in conjunction with industry and all relevant provincial agencies.

The film and television industry is suffering a cyclical downturn and production has slipped across North America. However, these changes will consolidate British Columbia's position as a competitive location for film and TV production and will open up new opportunities for activity outside the lower mainland.

When combined with a skilled labour force and favourable exchange rate, the changes will ensure the long-term success and growth of British Columbia's film and television industry.

Tourism

The government is committed to doubling tourism's contribution to the provincial economy. Despite the current economic uncertainty, tourism indicators point to a continued recovery in the sector in 2002. A range of government initiatives will support this encouraging performance:

- Funding arrangements for the new Vancouver Convention and Exhibition Centre are now in place and construction is expected to start in 2003. The local tourism industry and the provincial and federal governments will finance the project jointly.
- After exhaustive efforts to create an attractive proposal, Vancouver's Olympic bid has been submitted to the International Olympic Committee. The winning bidder will be announced on July 2, 2003. If Vancouver wins the bid, the additional construction activity and boost to the tourism industry are expected to generate substantial benefits to the provincial economy.
- To streamline decision-making and improve access to Crown land, Land and Water BC has established a target of a maximum 140 days for decisions on all Crown land tenure applications. The backlog of applications has been reduced by 96 per cent. Work remains to integrate the policies of all government agencies and create a "one-window" approach to tenure applications.
- Work is also underway to identify and market Crown land for tourism opportunities using Northern Vancouver Island as a pilot project.
- A B.C. Resort Task Force will be established. The task force will develop new programs to ensure the full potential of British Columbia's world class resorts is realized.
- Finally, Tourism BC has undertaken a comprehensive review of its marketing strategy, to reflect the changes in travel patterns due to heightened security concerns after September 11.

Small Business

Small business remains a critical source of strength in the provincial economy. The changes to personal and business taxation in the last eighteen months have restored the competitiveness of British Columbia's taxes on small business. British Columbia has one of the lowest small business corporate income tax rates in the country and the threshold for this rate was increased to $300,000 in the last budget. In addition, British Columbia now has the second lowest top marginal income tax rate in the country and has eliminated the corporation capital tax and the sales tax on machinery and equipment that undermined new investment and growth by small business.

The new *Business Corporations Act*, combined with more flexible employment standards, and improved WCB regulations are reducing the cost of doing business in B.C. The government has also introduced the OneStop online business registration system that has reduced application times to less than an hour from days or weeks. These changes have opened up new opportunities for small business by making it easier to raise capital, simplifying workplace rules and reducing tax compliance costs.

A Single Business Number will be implemented in fall 2003. The objective is to simplify the relationship between business and government by implementing a common identifier for business among partner agencies and expand upon the OneStop Business Registration services offered by the three levels of government.

Marketing the BC Economy

A cornerstone of opening up the economy is taking steps to ensure the world is aware of British Columbia's new competitiveness and the province's capacity for innovation in a broad range of industries.

British Columbia's innovative industry capacity was promoted to key markets in the US, Japan, Taiwan, Chile, Mexico, the UK and China. In addition, joint government-industry marketing missions were planned and delivered to Taiwan and Japan, California, India and the World Economic Forum in Davos, Switzerland.

Investment opportunities in British Columbia's key innovative industries were also showcased at investment forums in San Francisco, San Diego, Los Angeles, Seattle, Vancouver, Toronto, Hong Kong and Tokyo.

A new Investment Climate publication was released, highlighting to international investors, the competitive advantage for business in British Columbia.

In the coming year, a new integrated marketing strategy will be launched to aggressively develop new markets and increase market share for B.C. products worldwide. A national information campaign will market British Columbia's competitive advantage to all Canadians.

Sustainable Environmental Policies

The government remains committed to the principle of revitalizing the economy while balancing environmental and community values. Science-based environmental stewardship; sustainable resource management and respect for the strong environment values of British Columbians are essential to the long run success of the economic strategy. Several key steps have been taken:

- Effective December 30, 2002, the new, streamlined *Environmental Assessment Act* and accompanying regulations came into force.
- A new AOX regulation has been enacted to appropriately limit discharges of absorbable organic halides.
- A response to the final report of the Advisory Panel on Contaminated Sites will be developed by Spring 2003.
- A review of the *Waste Management Act* is underway and is expected to result in significant amendments over the next three years. The changes will ensure more effective environmental protection.
- Working with partners, the government is reassessing the Streamside Protection Regulation to ensure protection of essential fish habitat while enabling urban development.

- The development of science-based standards for environmental protection will continue.

The government is also developing a made-in-B.C. plan for meeting its targets for reductions in greenhouse gas emissions. The full plan will be released later in 2003. In addition, the integrated transportation plan focuses on improved public transit, reduced congestion in major centers and encouraging the use of alternative transportation. All these initiatives will contribute to reducing greenhouse gas emissions and improving air quality.

Education Excellence

Successfully opening up the provincial economy demands that British Columbian's are equipped with the skills and knowledge they need to take full advantage of the opportunities available in the new economy. This will require a flexible and responsive education system that is accountable and puts the emphasis on students.

In the last year significant strides have been made in:

- *Rationalizing student financial aid to make it more coherent and understandable* – An on-line loan application system has been developed. This system allows students to apply for student financial assistance on-line, which will be easier to use and increase processing efficiency. The new system will be fully operational by May 2003.
- *Removing the tuition freeze and implement a new tuition fee policy which allows post-secondary institutions to set tuition rates.* This will increase autonomy and allow institutions to meet the increased demand for high quality programs.
- *Changing the funding formula for post-secondary institutions to increase accountability, and focus on results* – Funding for public colleges, university colleges and institutes was changed from a program funding formula to funding through block grant in 2002/03.
- *Provide institutions with tools to increase productivity in the post-secondary system* – In early 2002, the legislature passed the Public Education Flexibility and Choice Act, which granted institutions greater flexibility in determining class size, expand on-line course delivery, hours of operation, and work assignments of staff.

Several other changes are also underway including:

- *Expanding industry training in areas such as general trades training and new apprenticeships* – Implementation of the new industry-training model will begin with pilot projects and will be fully operational by 2005/06.
- *Creating more choice for students through enhanced on-line learning and expanded transferability of credits between institutions* – An additional 130 online spaces will be added each fiscal year, to bring the total student spaces to 780 in fiscal 2005/06 from 260 in fiscal 2001/02.
- *Establishing a new SFU Surrey campus to replace TechBC* - the strategy includes doubling the number of student spaces to 800.

Finally, encouraging a strong private post-secondary education sector is an integral part of government's commitment to access and choice in education. New initiatives, such as the passage of the Degree Authorization Act, were undertaken over the past year to ensure more opportunities and choice for students, and provide a more level playing field for private institutions.

Summary

In the last year and a half, the government has made great strides toward restoring British Columbia's competitiveness and rebuilding the investment climate.

The economic plan, enhanced by the new B.C. Heartlands Economic Strategy, builds on the province's strengths by:

- restoring sound fiscal management;
- creating a competitive tax environment;
- eliminating red tape and streamlining the regulatory system;
- introducing sector-specific initiatives to stimulate growth and investment and create new opportunities for all British Columbians; and
- ensuring that all British Columbians have access to a responsive and affordable education system.

The economy has turned the corner and there is renewed confidence about the province's economic future. The government is committed to opening up the economy to a future rich in opportunity where British Columbia is once again an economic leader.

Part 2: REVENUE MEASURES

SUMMARY OF REVENUE MEASURES

	Effective Date	Taxpayer Impacts	
		2003/04	2004/05
		($ millions)	
Income Tax Act			
• Increase budget for labour sponsored venture capital tax credits	April 1, 2003	(4)	(4)
• Introduce an equity tax credit for new media	April 1, 2003	(5)	(5)
• Improve and streamline the venture capital programs	various	*	*
• Extend the Film Incentive BC tax credits and Production Services Tax Credit for five years[1]	April 1, 2003 and June 1, 2003	*	*
• Provide an enhanced regional incentive for film credits	April 1, 2003	(1)	(1)
• Introduce a Digital Animation or Visual Effects tax credit	April 1, 2003	(5)	(5)
• Extend the Mining Flow-Through Share Tax Credit	January 1, 2004	(3)	(3)
• Extend the BC Mining Exploration Tax Credit for three years	August 1, 2003	(2)	(3)
• Extend BC Mining Exploration Tax Credit to partnerships	April 1, 2003	*	*
• Introduce a book publishing tax credit	October 1, 2002	(2)	(2)
Corporation Capital Tax Act			
• Increase the capital tax exemption threshold for small financial institutions to $10 million from $5 million	April 1, 2003	(2)	(2)
• Clarify the tax base for authorized foreign banks	June 6, 2000	*	*
Social Service Tax Act			
• Allow limited production machinery and equipment exemption for contractors who enter into lump sum supply and install contracts	February 19, 2003	*	*
• Provide a tax exemption for boom boats used at booming grounds	February 19, 2003	*	*
• Provide a tax exemption for explosive supplies purchased by aggregate producers	February 19, 2003	*	*
• Provide additional tax exemptions for *bona fide* farmers	February 19, 2003	*	*
• Provide additional tax exemptions for *bona fide* aquaculturists	February 19, 2003	*	*
• Allow motor dealers to pay tax on parts delivery vehicles under the dealer use formula	February 19, 2003	*	*
• Clarify application of tax to agricultural feeds and seeds for birds and pets	February 19, 2003	*	*
Motor Fuel Tax Act			
• Provide exemption for marine gas oil used in gas turbine powered commercial vessels	February 19, 2003	(2)	(2)
• Specify the refund tax rate for carriers registered with the International Fuel Tax Agreement and carriers acquiring user permits	February 19, 1997	*	*
BC Transportation Financing Authority Revenue			
• Increase the clear fuel tax rate levied on behalf of BC Transportation Financing Authority by 3.5 cents per litre	March 1, 2003	211	211
• Implement historical tax rates collected under *Build BC Act* regulation	June 1, 1999	*	*
Tobacco Tax Act			
• Increase the tobacco tax rate to $32 from $30 per carton of 200 cigarettes and to 16 cents from 15 cents per gram of fine-cut tobacco	February 19, 2003	25	25
School Act			
• Increase average gross residential school property taxes by inflation	January 1, 2003	34	62
Taxation (Rural Area) Act			
• Increase average gross residential property taxes by inflation	January 1, 2003	1	2
Insurance Premium Tax Act			
• Increase tax on property insurance to 4.4 per cent from 4 per cent to offset forest fire suppression costs	January 1, 2004	4	14
• Clarify the definition of taxable insurers	February 19, 2003	5	5

SUMMARY OF REVENUE MEASURES continued

	Effective Date	Taxpayer Impacts 2003/04	Taxpayer Impacts 2004/05
		($ millions)	
Home Owner Grant Act			
• Ensure that home owners who received the supplementary grant in 2001, as persons with disabilities, continue to qualify	February 19, 2003	*	*
Property Transfer Tax Act			
• Enhance fairness and effectiveness of First Time Home Buyers' exemption	February 19, 2003	(2)	(2)
University Act			
• Confirm longstanding assessment and taxation policy for university land	January 1, 2003	*	*
Local Government Act, Taxation (Rural Area) Act and Vancouver Charter			
• Restrict exemption for dust and particulate matter eliminators	January 1, 2004	*	*
Various Statutes			
• Allow provincial Surveyor of Taxes to apply its administration fee on rural property taxes levied by BC Transit, Municipal Finance Authority, and hospital districts	January 1, 2004	*	*
• Provide retroactive and prospective authority to calculate interest on a compound basis	Various	*	*
Total		252	290
Other Revenue			
Translink Revenue			
• Additional 0.5 cent per litre of clear fuel tax collected in Greater Vancouver transportation service region transferred to Translink. This does not affect tax rates paid by consumers	April 1, 2003	*	*
British Columbia Ferry Corporation Revenue			
• Eliminate the 1.25 cent per litre clear fuel tax transfer to British Columbia Ferry Corporation. This does not affect tax rates paid by consumers	April 1, 2003	*	*

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* denotes measures that have no material impact on the status quo revenue forecast for provincial revenues.

[1] The extensions were announced in July 2002 and the taxpayer impacts are already reflected in the 3 year fiscal plan.

Revenue Measures: Supplementary Information

INCOME TAX ACT

Equity Capital Programs

LABOUR-SPONSORED VENTURE CAPITAL TAX CREDITS

The budget is increased by $4 million annually for personal income tax credits that may be claimed for share purchases in qualifying labour-sponsored venture capital funds registered under the *Employee Investment Act*. The increase will allow for a third labour-sponsored fund to raise up to almost $27 million in equity capital for investing in qualifying BC businesses each year.

Currently, two labour-sponsored venture capital funds are registered under the *Employee Investment Act* and are authorized to raise a total of $80 million in equity annually. Individuals that purchase shares in these funds receive a 15 per cent provincial tax credit and a 15 per cent federal tax credit that can be used to reduce personal income taxes payable. The capital raised by the funds is then invested in small and medium-sized BC businesses. The increase to the tax credit budget will create an annual pool of equity capital totalling $107 million.

NEW MEDIA EQUITY CAPITAL

A $5 million pool of income tax credits is made available to provide an incentive to attract seed capital investment to foster BC's new media industry. New media is interactive digital media that educates, informs or entertains the user. The tax credits will be provided by enhancing the province's venture capital programs administered under the *Small Business Venture Capital Act*.

Individuals and corporations that purchase shares in qualifying new media companies, or shares in qualifying venture capital corporations that are established in support of new media companies, will receive a 30 per cent tax credit on their share purchases. The budget for the credits will be $5 million annually. This enhancement will provide up to $17 million in capital for new and expanding businesses engaged primarily in the development of new media products.

VENTURE CAPITAL PROGRAMS

A number of amendments are made to the *Small Business Venture Capital Act* with minor amendments to the *Income Tax Act* to revamp the province's venture capital programs. Under the venture capital programs, the province provides a 30 per cent income tax credit as an incentive for investments in qualifying BC businesses. The changes will fulfill the recommendations of the Premier's Technology Council to accelerate early stage technology investment. In addition, a number of amendments are introduced to streamline the administration of the program and reduce red tape for program participants.

The amendments include:

- Allow RRSP and RRIF trusts to purchase shares and flow the tax credit to the annuitant.
- Starting in 2004, allow the tax credit to be claimed for investments made in the first 60 days after a calendar year.
- Expand the types of investments that can be made by a venture capital corporation to include non-voting equity shares and warrants, options or rights that are convertible into equity shares.
- Allow for investment models other than the Investor-VCC-Eligible Business model to include:
  - Investor-Eligible Business (direct investment);
  - Investor-VCC-Holding Company-Eligible Business; and
  - Investor-VCC-Limited Partnership-Eligible Business.
- Remove the capital-raising limit for venture capital corporations registered under the Act.
- Allow venture capital corporations to invest in follow-on financings of companies that have grown beyond the original employee maximums.
- Increase the maximum allowable investment in any one business to a rolling $5 million limit over two years, from $3 million in total.
- Allow more types of business activities to qualify.
- Provide an additional year for venture capital corporations to complete their investment requirements.
- Allow venture capital corporations to issue multiple classes of common voting shares to facilitate shareholder redemptions.
- Grant the administrator limited discretion to waive the requirement that venture capital corporations divest shares in businesses that no longer meet eligibility requirements.
- Remove a provision that required venture capital corporations to first offer shares to small business shareholders before selling to a third party.
- Allow pro-rated tax credit recovery in situations where a venture capital corporation divests an eligible investment due to circumstances outside its control provided the investment has been held for at least 3 years.

(See Ministry of Competition, Science and Enterprise website at www.bcinbusiness.gov.bc.ca for more details on equity capital programs and contact information.)

FILM INCENTIVE BC AND PRODUCTION SERVICES TAX CREDITS

As previously announced by Premier Gordon Campbell, the Production Services Tax Credit and the Film and Television Tax Credit (commonly referred to as Film Incentive BC) are extended for five years to June and April 2008 respectively.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

REGIONAL FILM TAX CREDITS

A number of enhancements are made to the existing Film Incentive BC regional tax credit. In addition, a regional credit will be made available as an addition to the Production Services Tax Credit. The credits are intended to encourage location-based productions outside the designated Vancouver area as defined in the *Income Tax Act* regulations.

Film Incentive BC Regional Credit

To be eligible for the enhanced Film Incentive BC regional credit the following requirements must be met:

- the production must be eligible for the Film Incentive BC tax credit;
- principal photography of the production must be done in B.C. outside the designated Vancouver area for at least 5 days and during more than 50 per cent of the total number of days during which principal photography is done in B.C.;
- for television series at least 5 episodes of the production must meet the 50 per cent rule on a cumulative basis; and
- principal photography must begin after March 31, 2003.

The Film Incentive BC regional credit is then calculated as 12.5 per cent of the production's qualifying BC labour expenditures (incurred after December 31, 2002) prorated by the proportion of days of principal photography outside the designated Vancouver area to the total number of days of principal photography in B.C.

The existing regional tax credit will remain in effect for any productions where principal photography begins before April 1, 2003.

Production Services Regional Credit

To be eligible for the new Production Services regional credit the following requirements must be met:

- the production must be eligible for the Production Services Tax Credit;
- principal photography of the production must be done in B.C. outside the designated Vancouver area for at least 5 days and during more than 50 per cent of the total number of days during which principal photography is done in B.C.;
- if the production is an episode of a television series at least 5 days representing more than 50 per cent of the total days of principal photography must be outside of the designated Vancouver area; and
- principal photography must begin after March 31, 2003.

The Production Services regional credit is then calculated as 6 per cent of the production's qualifying BC labour expenditures incurred after December 31, 2002 prorated by the proportion of days of principal photography outside the designated Vancouver area to the total number of days of principal photography in BC.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

DIGITAL ANIMATION AND VISUAL EFFECTS TAX CREDIT

A refundable corporate income tax credit of 15 per cent is introduced for digital animation and visual effects. Digital animation and visual effects are created through digital technology and include digital designing, modelling, rendering, lighting, painting, animating and compositing.

The credit will be available as an addition to either the Film Incentive BC tax credit or the Production Services Tax Credit. The credit will be calculated as 15 per cent of BC labour expenditures incurred for animation or visual effects. The credit will be available for productions where principal photography begins after March 31, 2003.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

MINING FLOW THROUGH SHARE TAX CREDIT

The province will match any extension to the federal mining flow-through share tax credit. Both the federal and provincial credits are scheduled to expire at the end of 2003.

Details of federal plans for its credit are not yet available. As a result, additional information regarding the province's mining flow-through share tax credit program will be released when the details of the federal program is announced.

BC MINING EXPLORATION TAX CREDIT

The BC Mining Exploration Tax Credit is extended for an additional three years to 2004. The credit is available to both individuals and corporations that undertake mining exploration in the province. The credit is calculated at 20 per cent of eligible BC mining exploration expenditures. Eligible expenses incurred prior to August 2001 will now be eligible for the credit.

(See Ministry of Provincial Revenue bulletin at: www.gov.bc.ca/rev for more details on tax changes.)

BC MINING EXPLORATION TAX CREDIT AND PARTNERSHIPS

The BC Mining Exploration Tax Credit is extended to partnerships effective for qualifying mining exploration expenses incurred after March 31, 2002. Active members of partnerships that undertake qualifying mining exploration expenses will be able to claim the credit.

(See Ministry of Provincial Revenue bulletin at: www.gov.bc.ca/rev for more details on tax changes.)

BOOK PUBLISHING TAX CREDIT

A corporate income tax credit is introduced for the book publishing industry. The credit will be calculated on the basis of federal assistance provided under the Aid to Publishers component of the Book Publishing Development Incentive Program. Qualifying BC book publishing companies will be eligible for a credit equal to 90 per cent of the federal Aid to Publishers assistance received. The credit will provide about $2.5 million annually in assistance to about 30 BC book publishing companies.

(See Ministry of Provincial Revenue bulletin at: www.gov.bc.ca/rev for more details on tax changes.)

CORPORATION CAPITAL TAX ACT

CAPITAL TAX EXEMPTION THRESHOLD FOR SMALL FINANCIAL INSTITUTIONS

The threshold below which small financial institutions do not pay the corporation capital tax is increased to [illegible] million from [illegible] million of net paid-up capital effective for tax years ending after March 31, 2001. The threshold increase will eliminate the tax for about [illegible] small financial institutions.

See "Measures of Provincial Revenue" [illegible] for more details on tax changes.

TAX BASE FOR AUTHORIZED FOREIGN BANKS

Under the Act, the tax base for authorized foreign banks is paid-up capital employed in the province. As such, an allowance to an authorized foreign bank's paid-up capital is provided to recognize paid-up capital employed in jurisdictions outside BC. The Act is amended to clarify that the allowance is restricted to paid-up capital employed in jurisdictions in Canada.

See "Measures of Provincial Revenue" [illegible] for more details on tax changes.

SOCIAL SERVICE TAX ACT

MACHINERY AND EQUIPMENT PURCHASED BY CONTRACTORS

Effective February [illegible], 2001, contractors are eligible to claim the provincial sales tax exemption for machinery, equipment and parts in specific circumstances.

The exemption only applies if all the following conditions are met:

- The machinery, equipment or parts are acquired by the contractor to carry out a lump sum or fixed-price contract to improve real property, and
- The contractor's customer has provided to the contractor a completed Certificate of Exemption certifying that the customer:
  - would be eligible to receive the exemption if they were to purchase the machinery, equipment or parts directly, and
  - the machinery, equipment or parts will be used for an exempt purpose.

Contractors may purchase the machinery, equipment or parts for use in their contracts by either providing suppliers with a completed certification of exemption, or quoting their social service tax registration number. If a contractor claims an exemption based on information that was incorrectly certified by a customer, the customer (not the contractor) is responsible for paying an amount equal to the tax that should have been paid. If the contractor fails to obtain a completed certification from the customer, the contractor (not the customer) is liable for payment of the tax.

This exemption applies to qualifying machinery, equipment and parts purchased by the contractor on or after February 19, 2003. Where a contract was entered into prior to February 19, 2003 and purchases were made before that date, the tax continues to apply to those purchases. However, subsequent purchases of qualifying items under the same contract will qualify for the exemption provided all other conditions are met.

The application of tax for contractors who enter into time and materials contracts (where the contract itemizes the charges for labour and materials separately) remains unchanged.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

BOOM BOATS USED AT BOOMING GROUNDS

Effective February 19, 2003, the provincial sales tax exemption for machinery and equipment used in the forest industry is expanded to include boom boats.

To be eligible for the exemption, boom boats must be used exclusively for sorting logs and forming booms at booming grounds, and must be purchased or leased by a person who regularly engages in logging for commercial purposes.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

EXPLOSIVE SUPPLIES USED BY AGGREGATE PRODUCERS

Effective February 19, 2003, the *Social Service Tax Act* is amended to treat aggregate producers the same as mineral producers for provincial sales tax purposes. This change allows aggregate producers to qualify for the provincial sales tax exemption for explosive supplies.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

ITEMS PURCHASED OR LEASED BY *BONA FIDE* FARMERS

Effective February 19, 2003, the following items are added to the list of items that can be purchased or leased exempt from provincial sales tax by *bona fide* farmers for a farm purpose:

- Hanging gutters.
- Shade curtains.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

ITEMS PURCHASED OR LEASED BY *BONA FIDE* AQUACULTURISTS

Effective February 19, 2003, the following items are added to the list of items that can be purchased or leased exempt from provincial sales tax by *bona fide* aquaculturists for an aquaculture purpose:

- Closed bag containment systems including pumps and waste management equipment integrated into the systems.
- Pumps used to pump water into or out of fish enclosures.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

PARTS DELIVERY VEHICLES

Vehicles removed from inventory by motor vehicle dealers after February 18, 2003 for use only in transporting motor vehicle parts in the course of the dealer's business are eligible to be taxed under the 'dealer use formula'. Under the dealer use formula tax is paid monthly on the purchase price of the vehicle at a rate of 1.5 per cent of the general sales tax rate of 7.5 per cent.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

AGRICULTURAL FEEDS AND SEEDS FOR WILD BIRDS AND PETS

Effective February 19, 2003, the Act is amended to clarify that agricultural feeds and seeds are taxable when purchased to feed wild birds, pet birds and other household pets. Bird seed and agricultural feeds for poultry and other animals that provide products for human consumption remain exempt.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

MOTOR FUEL TAX ACT

MARINE GAS OIL EXEMPTION

Effective February 19, 2003, a tax exemption is provided for marine gas oil (MGO) when used in marine gas turbine engines to propel commercial passenger or cargo vessels. The MGO exemption parallels the exemption provided for bunker fuel in July 2001.

MGO is a significantly cleaner burning fuel than bunker fuel and gas turbine powered ships sailing in British Columbia waters and using MGO therefore pollute less.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

REFUNDS PAID TO INTER-JURISDICTIONAL CARRIERS

The tax rates used for calculating fuel tax refunds paid to inter-jurisdictional carriers are set to confirm past and future refund rates. The refunds are for tax paid on fuel that is purchased but not used in B.C. The applicable tax rates for refunds are:

- After February 18, 1997 and before March 1, 2003, 11 cents per litre for gasoline and 11.5 cents per litre for diesel fuel.
- On or after March 1, 2003, 14.5 cents per litre for gasoline and 15 cents per litre for diesel fuel.

The refund tax rate increases on March 1, 2003 to reflect the increase in the tax payable to the BC Transportation Financing Authority on that date.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

BC TRANSPORTATION FINANCING AUTHORITY REVENUE

Effective March 1, 2003, the tax rates on clear gasoline and diesel fuel raised by the BC Transportation Financing Authority are increased by 3.5 cents per litre to 6.75 cents per litre throughout the province.

To maintain the policy that auto propane is taxed at 25 per cent of the tax rate for clear gasoline, on an energy equivalent basis, the tax rate for propane is increased by 0.6 cents to 2.7 cents per litre.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

HISTORICAL TAX RATES UNDER BUILD BC ACT REGULATION

Amendments are introduced to implement the historical fuel tax rates collected on behalf of BC Transportation Financing Authority under the *Build BC Act* regulations. The rates are:

- 3 cents per litre effective June 1, 1999 to March 31, 2000
- 3.25 cents per litre effective April 1, 2000 to February 28, 2003

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

TOBACCO TAX ACT

TOBACCO TAX RATE

Effective February 19, 2003, the tax rate on cigarettes is increased to $32 from $30 per carton of 200 cigarettes, and the tax rate on fine-cut tobacco to 16 cents from 15 cents per gram.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

SCHOOL ACT

SCHOOL TAX RATES

In general, a separate residential tax rate is set for each school district. For the 2003 calendar year and future years, average residential school taxes before application of the home owner grant will be increased by the provincial inflation rate in the previous year. For 2003, the increase on a medium-valued home will be less than $20 annually. Residential school property tax rates will be calculated in accordance with the residential school tax formula, which has been used since 1991.

Residential tax rates will be set in April when authenticated assessment roll data are available to calculate the rates according to the provincial residential school tax rate formula. Even though the average residential tax is increased, the change in individual tax bills will vary. Some homeowners will experience an increase in their school taxes, while others will have reductions. The variation in individual tax bills will occur because changes in the assessed value of any individual property are likely to differ from changes in average provincial and school district assessed values.

For each of the eight non-residential property classes, a single, province-wide rate is set. Non-residential school tax rates will remain unchanged from 2002 levels.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

TAXATION (RURAL AREA) ACT

PROVINCIAL RURAL TAX RATES

For the 2003 calendar year and future years, average residential provincial rural area taxes will be increased by the provincial inflation rate in the previous year. Average rural residential values increased over the past year. Even with the increase in the average tax, the provincial rural residential tax rate will fall from $1.04 per thousand dollars of assessed value to $1.03 per thousand. Non-residential rural area tax rates remain unchanged.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

INSURANCE PREMIUM TAX ACT

PROPERTY INSURANCE TAX RATE

Effective January 1, 2004, the tax rate on property insurance premiums collected by insurance companies is increased to 4.4 per cent from 4.0 per cent. The increase will generate about $14 million annually which will help to offset the cost of the provincial forest fire suppression program provided by the BC Forest Service. Forest fire control is essential to minimize property loss or damage from forest fires.

The tax increase applies to all property and automobile insurance. Aircraft insurance and hail insurance are not affected.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

TAXABLE INSURERS

Effective February 19, 2003, the definition of "taxable insurer" under the Act is amended to include all insurers that have, or are required to have, a business authorization under the *Financial Institutions Act*. This measure levels the playing field for anyone who conducts insurance business in the province.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

HOME OWNER GRANT ACT

DISABILITY PORTION OF THE HOME OWNER GRANT

Administrative changes to the additional grant for persons with disabilities simplified the application process in 2002. After reviewing other options for providing these benefits, the government has decided to continue with the existing program. The regulations are amended to ensure that home owners who received the additional grant as persons with disabilities in 2001, prior to the administrative changes, will not have to re-qualify for the grant.

The Home Owner Grant program is administered by municipal collectors in incorporated areas and by the provincial Surveyor of Taxes in rural areas of the province, and is applied as a reduction of provincial school property taxes.

The additional grant for persons with disabilities, introduced in 1981, provides an additional $275 annually to home owners with a permanent disability or who are living with a person with a permanent disability. The intent of the grant is to provide financial relief to persons who, due to a loss of mobility, are required to make costly modifications to their home or to have physical assistance to allow them to live independently.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

PROPERTY TRANSFER TAX ACT

CHANGES TO FIRST TIME HOME BUYERS' PROGRAM

Effective for registrations after February 18, 2003, the following changes are made to enhance the fairness and effectiveness of the First Time Home Buyers' exemption.

- A proportional exemption is provided for properties that have a fair market value of up to $25,000 above the current eligible property value thresholds of $275,000 in the Capital Regional District, the Greater Vancouver Regional District, and the Fraser Valley Regional District and $225,000 throughout the rest of the province.
- A pro-rated reduction in tax liability is provided for otherwise eligible first-time buyers who do not fulfill the requirement to live in the home or maintain the required level of financing for one full year following the date of registration. Until now, first-time buyers were disqualified from the exemption if they failed to meet the one year requirements. This change is effective for first time buyers who fail to fulfill either of these one-year requirements on or after February 19, 2003.
- The requirement that a first-time buyer must reside in the province for at least one year prior to purchasing a home to qualify for the exemption is

expanded to include first-time buyers who have filed income tax returns in British Columbia for any two of the previous six years. This change allows long-time B.C. residents who reside outside the province for short periods of time for educational, employment or other purposes to qualify for the exemption immediately upon their return to the province.

- The definition of "eligible financing" is amended to prevent the use of financing from family trusts and family corporations. An arms' length financing requirement is imposed to target the exemption to those most in need of the exemption.
- Other changes include clarification of the definition of permanent resident and clarification of the penalty provision for those who apply for the benefit more than once to ensure it can be effectively enforced.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

VARIOUS STATUTES

RURAL PROPERTY TAX ADMINISTRATION FEE

Effective for the property tax year beginning January 1, 2004, amendments to several acts will allow the provincial Surveyor of Taxes to levy its longstanding administration fee on three additional taxing authorities: hospital districts, Municipal Finance Authority and BC Transit. The province's Surveyor of Taxes is responsible for levying, collecting, and recovering taxes on behalf of all taxing authorities in rural areas, as well as guaranteeing revenue for rural local taxing authorities. The broader base will allow a lower administration fee for those rural taxing authorities already paying the fee. No increase in provincial revenue is expected, nor any adverse impacts on rural taxpayers.

UNIVERSITY ACT

PROPERTY TAX ON UNIVERSITY LAND

Effective January 1, 2003, the *University Act* is amended to confirm longstanding assessment and taxation policy for university land.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

LOCAL GOVERNMENT ACT, VANCOUVER CHARTER, AND TAXATION (RURAL AREA) ACT

EXEMPTION FOR DUST AND PARTICULATE MATTER ELIMINATORS

The exemption for dust and particulate matter eliminators is amended to apply only to equipment that is used to eliminate dust and particulate matter. A recent court ruling had broadened the initial intent of the exemption.

Making these amendments is intended to ensure that only equipment and machinery used for this purpose is exempt, and that any building, room or tank that simply collects or reduces the flow of such materials is taxable.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

AUTHORITY TO CALCULATE INTEREST ON A COMPOUND BASIS

Authority is provided under the following statutes to calculate interest on a compound basis and to validate interest that has been paid: *Social Service Tax Act; Hotel Room Tax Act; Motor Fuel Tax Act; Tobacco Tax Act; Logging Tax Act; Insurance Premium Tax Act; Corporation Capital Tax Act;* and *Taxation (Rural Area) Act*. This provides clear legislative authority for the historical application on interest under these statutes, and does not result in any additional interest liability.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

OTHER REVENUES

TRANSLINK REVENUE

Effective April 1, 2003, the portion of the clear motor fuel tax collected in the Greater Vancouver transportation service region for TransLink is increased to 11.5 cents per litre from 11 cents. There will be an equal decrease in the provincial clear fuel rates within the transportation service region so there will be no effect on motor fuel tax rates paid by consumers. The additional 0.5 cents per litre is expected to raise $11 million annually to help finance the development and maintenance of roads and bridges, as well as expansion and operation of the public transit system in the Greater Vancouver transportation service region.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

BRITISH COLUMBIA FERRY CORPORATION REVENUE

Effective April 1, 2003, the 1.25 cent per litre clear motor fuel tax currently paid to British Columbia Ferry Corporation is redirected to the consolidated revenue fund. BC Ferries, which currently operates as a taxpayer-supported Crown corporation, will be restructured and renamed BC Ferry Services. The government will support coastal ferry services through an annual grant negotiated with the new company.

(See Ministry of Provincial Revenue website at: www.gov.bc.ca/rev/ for more details on tax changes.)

Part 3: ***BRITISH COLUMBIA ECONOMIC REVIEW AND OUTLOOK***

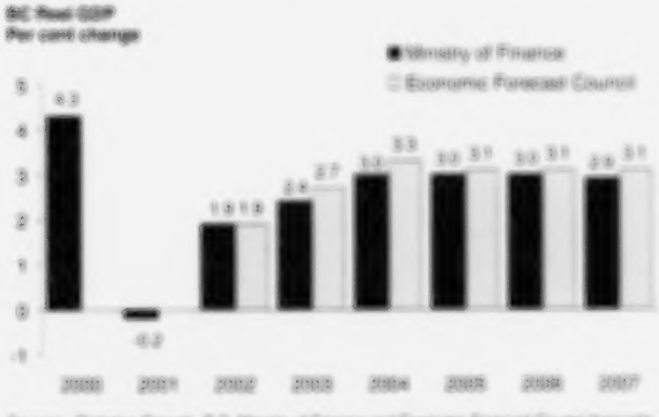
Overview[1]

The British Columbia economy rebounded strongly in the first half of 2002, moderating later in the year in line with a hesitant U.S. recovery. The Ministry of Finance estimates that the B.C. economy grew 1.9 per cent in 2002, following a 0.2 per cent decline in 2001.

B.C. real GDP is forecast to grow 2.4 per cent in 2003 and 3.0 per cent in 2004. This is slightly lower than the average of the independent Economic Forecast Council, a group of private sector economists who provide advice to the Minister of Finance on the provincial economic outlook. The Council forecasts growth in British Columbia of 2.7 per cent in 2003 and 3.3 per cent in 2004 (see Chart 3.1). The topic box at the end of Part Three reports on the December 2002 consultation with the Council.

In the period 2005 through 2007, the British Columbia economy is expected to grow about 3.0 per cent per year in line with higher commodity prices and economic growth in the province's key trading partners. Investment in the province is forecast to increase due to improved business confidence and increased opportunities resulting from federal and provincial tax cuts, deregulation and investment in infrastructure.

Chart 3.1 British Columbia economic outlook



Sources: Statistics Canada, B.C. Ministry of Finance and Economic Forecast Council forecasts

Recent Developments

While the B.C. economy bounced back strongly during the first six months of the year, the hesitant U.S. recovery and increasing geopolitical tensions began to affect the province's economy in the latter half of 2002. Key economic indicators in the final quarter continued the mixed performance experienced

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[1] This report incorporates information available as of February 7, 2003. All annual and quarterly references are for the calendar year.

Table 3.1 British Columbia Quarterly Economic Trends[1]

	Third Quarter July to Sept. 2002 change from April to June 2002	Fourth Quarter Oct. to Dec. 2002 change from July to Sept. 2002	Year to Date Jan. to Dec. 2002 change from Jan. to Dec. 2001
		Per cent change	
Employment	2.0	0.0	1.6
Manufacturing Shipments[2]	1.6	0.3	-0.3
Exports[2,3]	-0.5	-1.3	-8.6
Retail Sales[2]	-0.7	1.6	5.6
Housing Starts	17.5	-0.4	25.5
Non-residential Building Permits	-6.7	2.2	-16.6

[1] All data are seasonally adjusted.
[2] Data available to November 2002 only.
[3] Statistics Canada misallocated energy exports in October. BC STATS has provided an interim correction.

in the third quarter (see Table 3.1). Employment growth paused, following strong growth in the previous three quarters. Retail sales bounced back from a decline in the July to September period, posting a 1.6 per cent quarterly increase (based on data to November). Housing starts paused following strong growth in the July through September quarter, and closed the year with a 25.5 per cent gain. The value of non-residential building permits grew a modest 2.2 per cent after declining during much of the year. On the external side, manufacturing shipments were up slightly, while the value of exports were down, mostly as a result of lower lumber export prices.

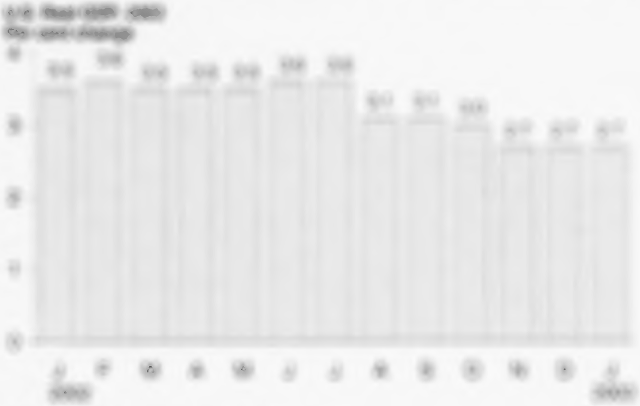
The Outlook for the External Environment

During 2002, the North American economy expanded at a moderate pace, reflecting a hesitant U.S. recovery. A much stronger recovery in Canada was evidenced by growth in employment, housing construction and trade. Geopolitical uncertainties heated up in 2002 as tensions around the war on terrorism, the situation in the Middle East, the revelation of North Korea's nuclear program and the oil sector strike in Venezuela raised concerns for the global economy.

The U.S. economy expanded 2.4 per cent in 2002, an improvement from the 0.3 per cent growth recorded in 2001 when the U.S. dipped into recession. Consumer spending was up strongly due to increased sales of consumer durables and a surge in automobile sales caused by dealer incentives and low interest rates. Housing starts rose 6.4 per cent to 1.71 million units, the highest level since 1986. However, behind the improvement in total output were signs of slowing business investment and manufacturing output. Industrial production declined 0.7 per cent in 2002. Spending on non-residential structures declined 17.0 per cent as a result of the significant excess capacity that has plagued the U.S. economy in recent years.

As a result of the hesitant U.S. recovery and increasing geopolitical uncertainty, forecasters have gradually lowered their 2003 U.S. outlook. The latest *Consensus Forecasts* (published January 13, 2003) predicts growth of 2.7 per cent in 2003, down from the 3.6 per cent forecast in July 2002 (see Chart 3.2). Most forecasters expect the low interest rates that have been in place for the last year coupled with the federal administration's stimulus package to eventually lead the U.S. economy to more solid growth by 2004. The consensus is that growth will improve to 3.7 per cent in 2004.

Chart 3.2 Evolution of the U.S. consensus forecast, 2003



Source: Consensus Economics Forecast

The Ministry of Finance assumes U.S. growth will be a modest 2.4 per cent in 2003, the same growth recorded in 2002 and lower than the consensus. In 2004, the U.S. economy is assumed to expand 3.3 per cent, followed by a moderate 3.0 per cent per year over the medium term. This somewhat conservative outlook is impacted by concerns about the geopolitical situation as well as low business investment growth. Consumer spending is expected to be moderate until the recovery generates stronger employment growth. Core inflation should continue to be muted given the lack of bottlenecks in key areas of the economy.

Table 3.2 Ministry of Finance Economic Forecast: Key Assumptions

	2002	Forecast 2003	2004	2005	2006	2007
		Per cent change unless otherwise noted				
Canada Real GDP	3.3[1]	3.1	3.2	3.0	3.0	3.0
U.S. Real GDP	2.4	2.4	3.3	3.0	3.0	3.0
Japan Real GDP	-0.3[1]	0.4	0.8	1.5	1.5	1.5
Europe Real GDP	1.0[1]	1.5	2.5	2.5	2.5	2.5
Short-term Interest Rates[2]	2.6	3.3	4.8	5.0	5.0	5.0
Long-term Interest Rates[3]	5.3	5.1	5.6	6.3	6.3	6.3
U.S. cents / Canadian dollar	63.7	64.5	65.8	67.3	67.5	67.5

[1] Ministry of Finance estimate.

[2] Canada 3-month treasury bills.

[3] Government of Canada 10-year bonds.

The Canadian economy outperformed the U.S. economy in 2002, growing an estimated 3.3 per cent. Unlike the U.S., growth in Canada was broadly based and accompanied by significant gains in employment. Canadian interest rates remained near historically low levels despite a modest increase in 2002. Consumer spending was strong with retail sales up 6.5 per cent in the first eleven months of 2002 compared to the same period in 2001. Purchases of larger consumer durables, like furniture and appliances, as well as new motor vehicles drove the year-to-date increase. The manufacturing sector in Canada benefited from lower production costs on goods sold into the U.S. market thanks to a weak Canadian dollar.

The Ministry of Finance forecast assumes the Canadian economy will outperform the U.S. in 2003, with real GDP expanding 3.0 per cent. Growth is expected to be broad-based with most sectors contributing to the increase in economic activity. However, in 2004, Canadian economic growth is assumed to be slightly lower than the U.S. This is due to the return to solid growth south of the border rather than slower growth in Canada. Consumer price inflation is assumed to be slightly above the Bank of Canada's one to three per cent target range in the near term due to one-off price effects. Over the medium term, the Canadian economy is expected to expand 3.0 per cent per year, in line with growth of its major trading partner, the U.S. economy. The latest Consensus Economics predicted Canadian growth of 3.2 per cent in 2003 and 3.4 per cent in 2004.

Overseas, economic conditions were stagnant in Japan. Japanese real GDP contracted by an estimated 0.3 per cent in 2002, following growth of just 0.3 per cent in 2001. High oil prices, resulting from the strike in Venezuela and rising tensions in the Middle East, have hurt the economy. The outlook for Japanese economic growth remains weak.

Elsewhere, the European economy is confronting challenges including weakening domestic demand and, in Germany, a fragile banking system. The German economy grew just 0.2 per cent in 2002, the slowest growth in nine years. Robust growth in exports saved Europe's largest economy from slipping into a recession last year. Excluding exports, Germany's real GDP contracted 1.3 per cent.

In 2003, Europe is expected to grow a modest 1.5 per cent. Growth is forecast to pick up to 2.5 per cent in 2004 through 2007.

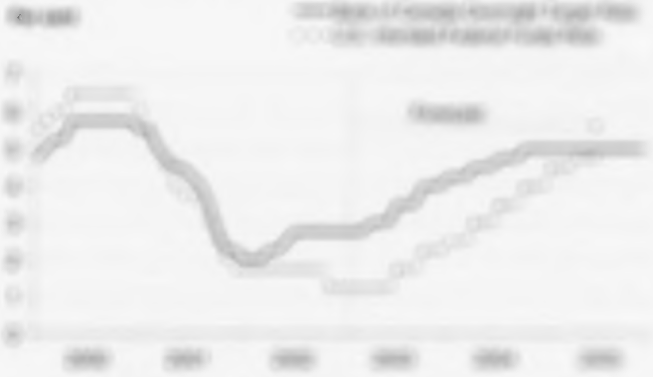
Financial Markets

Interest rates held steady for most of 2002. Before the 50 basis point reduction in the federal funds rate in November, the key U.S. interest rate had been unchanged since December 2001. In Canada, the Bank of Canada raised the overnight target rate by 75 basis points between April and July 2002 and then stayed on the sidelines for the remainder of the year.

The relative lack of movement in U.S. interest rates reflected the weakness of the U.S. recovery. At the same time, Canada's economy was rebounding

[illegible]

Chart 3.3 Interest rates are forecast to rise



[illegible]

[illegible]

[illegible]

The British Columbia Outlook

[illegible]

Table 3.3 British Columbia Economic Outlook

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ministry of Finance Economic Forecast	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Economic Forecast Council	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

accounts for about two-thirds of economic activity in the province, benefited from continued low interest rates, growth in employment and federal and provincial tax cuts. Investment in residential construction also increased as new home construction had its best year since 1997. However, the value of non-residential building permits declined due to a reduction in commercial, institutional and government construction. On the external side, real exports of goods and services posted modest growth, reflecting the hesitant U.S. recovery.

The British Columbia economic recovery, which began in earnest early in 2002 then faded as global uncertainties emerged, is expected to continue at a moderate pace during the foreseeable future. Growth in B.C. real GDP is forecast at a moderate 2.4 per cent in 2003. Given the risks and uncertainties in the external outlook and the ongoing effects of the softwood lumber dispute, the British Columbia economy is expected to post a gradual recovery with the pace of expansion increasing to around 3.0 per cent in the medium term. Table 3.4 presents the economic outlook for key indicators, while the tables at the back of Part Three provide further detail on the economic forecast.

External Trade and Commodity Markets

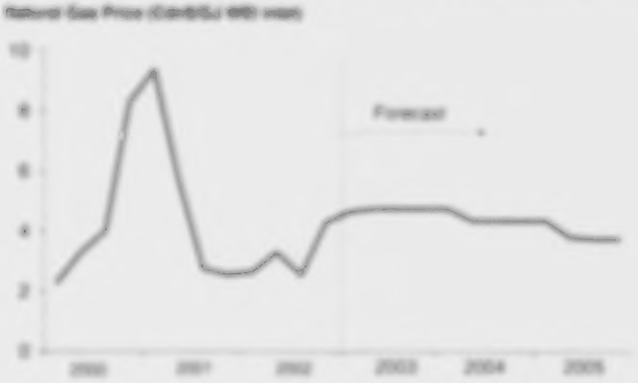
Developments in external trade and commodity markets during 2002 reflected global economic conditions. Overall, commodity markets were flat, with some weakening in forest product prices as Canadian lumber producers contributed to oversupply in U.S. markets. The average price of British Columbia goods and services exports declined an estimated 2.6 per cent in 2002, due to lower prices for key commodities, including pulp, newsprint, copper, natural gas and lumber, although several of these prices have picked up in recent months.

Table 3.4 Ministry of Finance Economic Forecast: Key Economic Indicators

		Forecast				
	2002	2003	2004	2005	2006	2007
British Columbia Economic Indicator		Per cent change unless otherwise noted				
Real GDP	1.8 e	2.4	3.0	3.0	3.0	2.9
Nominal GDP	2.2 e	4.3	5.3	5.0	4.6	4.5
Employment	1.6	1.7	2.4	1.9	1.8	1.8
Unemployment Rate	8.5	8.5	7.8	7.6	7.3	7.2
Net In-migration (thousands of persons)	28.5 t	31.9	36.7	41.7	44.3	46.6
Personal Income	2.4 e	3.1	4.2	4.3	4.1	4.0
Corporate Pre-tax Profits	1.1 e	3.5	8.1	9.6	5.0	5.0
Housing Starts (thousands of units)	21.6	22.5	23.1	23.6	24.3	24.9
Retail Sales	5.9	4.8	5.3	4.8	4.0	4.9
Inflation Rate	2.3	2.2	2.0	2.0	1.9	2.0
B.C. Goods and Services Export Price Deflator	-2.6 e	-0.3	1.7	1.6	1.0	1.1

e Ministry of Finance estimate.
t BC STATS estimate.

Chart 3.4 Natural gas prices to remain high in 2003

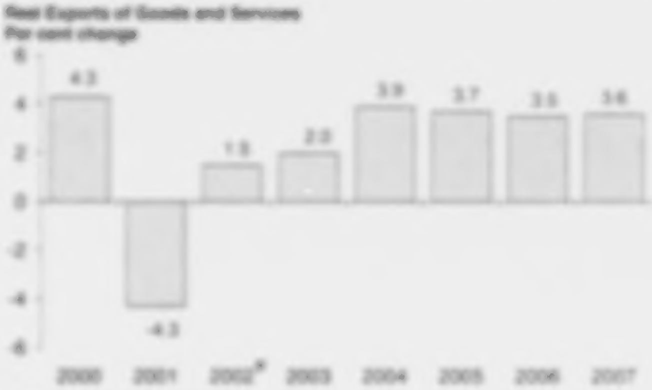


Source: B.C. Ministry of Energy and Mines

In addition to lower commodity prices in 2002, the province's forest sector was required to pay a 27 per cent average tariff on softwood lumber exports to the U.S. after May 22, 2002. Lumber exports were higher than expected, as British Columbia mills ramped up lumber production as a way to reduce unit costs. Without prejudice to the outcome of negotiations, the forecast assumes a status quo situation in the forest sector.

Outlook: Real exports of goods and services are expected to grow 2.0 per cent in 2003 and 3.9 per cent in 2004, as the U.S. recovery begins to gather momentum and as geopolitical uncertainties subside. Most commodity prices are forecast to increase gradually beginning in mid-2003. Natural gas prices have risen in recent months, and are expected to remain high in 2003. The average price of British Columbia goods and services exports is forecast to decline a slight 0.3 per cent in 2003, and then pick up to 1.7 per cent growth in 2004.

Chart 3.5 Export trends reflect North American growth

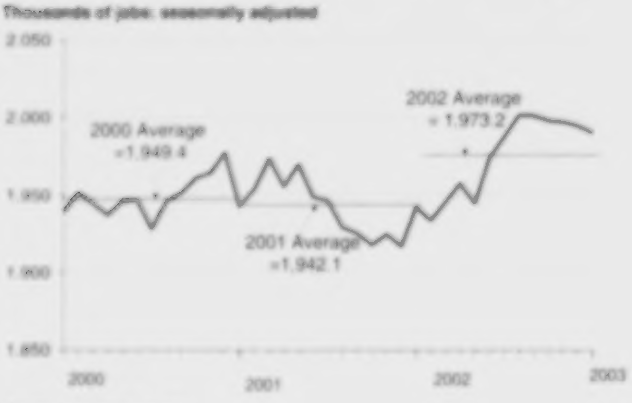


e Ministry of Finance estimate
Sources: Statistics Canada and B.C. Ministry of Finance forecast

The Labour Market

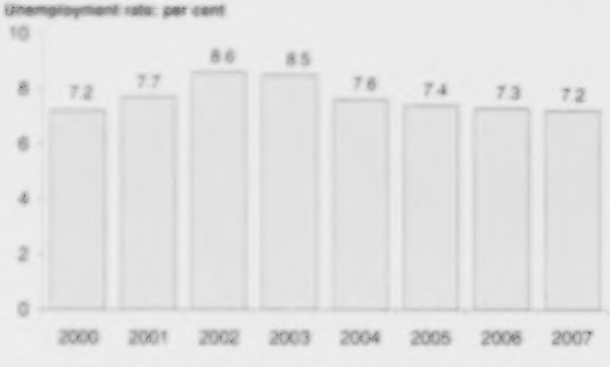
Employment in British Columbia averaged 1,973,200 persons in 2002, up from 1,942,100 persons in 2001, an average gain of 31,100 jobs (see Chart 3.6). Employment climbed from December 2001 through September 2002, adding 84,400 jobs during that period, almost two-thirds of which were full-time jobs. Employment growth paused in the fourth quarter of 2002 mainly due to a small decline in construction, public administration and community and personal services. In addition, an increase in part-time employment was offset by a decline in full-time employment during the October to December quarter. The unemployment rate averaged 8.6 per cent in 2002, up from 7.7 per cent in 2001, as growth in the labour force outweighed the annual employment gains.

Chart 3.6 Employment increased sharply in 2002



Source: Statistics Canada

Chart 3.7 Unemployment rate forecast to decline



Sources: Statistics Canada and B.C. Ministry of Finance forecast

Outlook: Employment is forecast to increase 1.7 per cent, or 34,000 jobs for 2003, rising to 2.4 per cent (or a gain of 49,000 jobs) for 2004. As economic growth picks up, it is expected that a larger share of the job gains will be in full-time employment. The unemployment rate is expected to average 8.5 per cent in 2003, and then decline to 7.6 per cent in 2004.

Domestic Demand

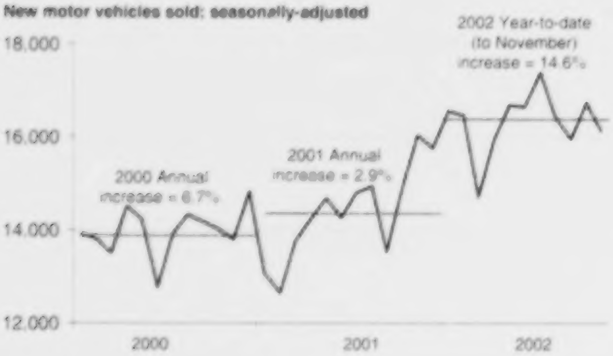
Much of the strength in the British Columbia economy during 2002 came from the domestic side of the economy. Housing starts and retail sales, two key indicators of consumer spending, recorded solid annual growth with annual housing starts up 25.5 per cent and the value of retail sales increasing an estimated 5.9 per cent last year. Employment gains, low interest rates, as well as federal and provincial tax cuts supported the consumer sector last year. At the same time, reduced business investment, as well as reduced spending by the combined three levels of government, restricted economic growth.

In 2003 and beyond, the domestic side of the economy is expected to post continued growth as strong consumer spending continues and business investment picks up.

Consumer Spending and Housing

The value of retail sales rose 5.9 per cent in the first eleven months of 2002, compared to the same period in 2001. The increase was mainly due to the higher value of large consumer durables including new motor vehicles, furniture and appliances. The removal of the luxury tax on mid-range vehicles combined with deep discounting by auto dealers early in the year, as well as a booming housing sector, helped fuel demand for these goods and related services. The volume of new motor vehicle sales was up 14.6 per cent in the first eleven months of 2002, compared to the same period in 2001, the second highest increase in Canada and well above the national average of 9.0 per cent (see Chart 3.8).

Chart 3.8 New motor vehicle sales surged in 2002



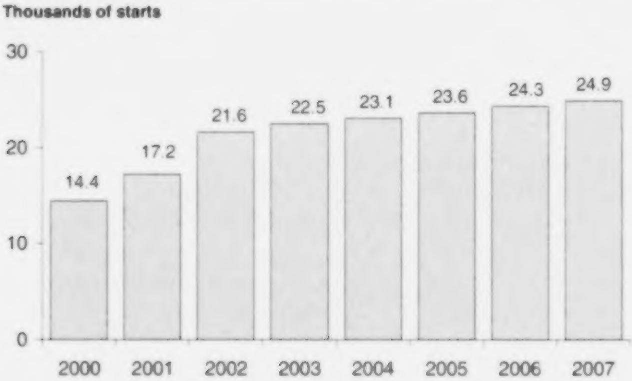
Source: Statistics Canada

The residential construction sector was a source of strength in the British Columbia economy in 2002. Low mortgage interest rates and employment gains helped increase the demand for housing. Major residential markets in the province recorded rising prices as demand from homes outpaced available supply. As a result, housing starts totalled 21,625 units in 2002, a 25.5 per cent increase from 2001.

Outlook: Consumer demand for goods and services will be supported by employment gains and continued low interest rates during the next few years. With pent-up demand fuelling housing construction, related consumer purchases should continue to expand.

Housing starts are forecast to total 22,500 units in 2003 and 23,060 units in 2004. Over the 2005 to 2007 period, growth in housing starts is expected to average 2.6 per cent per year to reflect growth in the province's population and the aging of the existing housing stock. After adjusting for inflation, consumer spending is forecast to grow 3.1 per cent in 2003 and 3.9 per cent in 2004 and then average 2.6 per cent in 2005 through 2007.

Chart 3.9 Residential construction growth to continue



Sources: Canada Mortgage and Housing Corporation and B.C. Ministry of Finance forecast

Business and Government

One of the key factors behind the lack of stamina in the U.S. economic recovery in 2002 and early 2003 has been low business investment. This has been a lesser problem in Canada because there was less excess production capacity than in the U.S. In British Columbia, growth in corporate profits was slightly better in 2002 than in 2001, but remained under downward pressure due to the continued impact of the softwood lumber dispute in the forest sector.

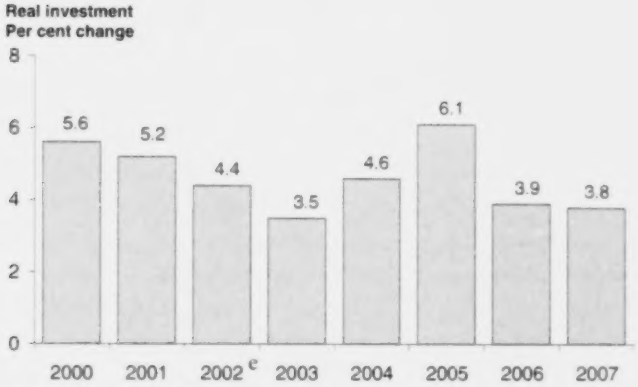
Business investment in machinery and equipment, non-residential structures and inventories, accounts for about 10 per cent of economic activity. The Ministry of Finance estimates that total investment (business, government and residential) increased 4.4 per cent in 2002.

Spending by the three levels of government (local, provincial and federal) accounts for about 20 per cent of economic activity in British Columbia. In 2002, total government spending is estimated to have declined 0.6 per cent in inflation adjusted terms.

Outlook: Total investment in British Columbia is forecast to grow 3.5 per cent in 2003 and then average around 4.5 per cent per year in the 2004 to 2007 period. Most of the near-term growth is in residential investment and stems from a very active housing market, fuelled by low mortgage rates and federal and provincial tax cuts.

In the medium term, the improving outlook is due to increased business investment in machinery and equipment and non-residential structures, by the oil and gas, high-tech and other manufacturing sectors such as electronic, communications, aircraft parts and biotech industries. The service sector is also forecast to grow in line with increased demand, lower prices for investment goods and lower corporate income tax rates.

Chart 3.10 Investment to increase



e: Ministry of Finance estimate
Sources: Statistics Canada and B.C. Ministry of Finance forecast

In inflation-adjusted terms, spending by the three levels of government is expected to decline a combined 1.6 per cent in 2003 and 3.4 per cent in 2004. The decline reflects the lower provincial government spending necessary to balance the budget beginning in 2004/05. Over the 2005 through 2007 period, inflation-adjusted government spending is forecast to average 1.6 per cent growth per year as the provincial government begins to achieve surpluses.

The forecast reflects provincial government measures announced in *Budget 2003*, as well as planned provincial, federal and public-private partnership and transportation projects.

Inflation

Consumer price inflation was moderate for the first half of 2002 as prices rose at a gradual rate. However, by the fall of 2002, the year-over-year change in the consumer price index had gone above the Bank of Canada's one to three per cent target range. In January 2002, the national rate of inflation was 1.3 per cent, but by December it had climbed to 3.9 per cent. The increase in the rate of inflation was a result of falling prices in the wake of the events of September 11, 2001 as well as various one-off price increases in 2002 including higher auto insurance premiums across the country. In British Columbia, inflation climbed to 3.5 per cent in December from 0.8 per cent in January 2002.

Outlook: Consumer price inflation is expected to moderate in early 2003 as the influence of price discounting in the last quarter of 2001 diminishes. As a result, inflation is forecast at 2.2 per cent in 2003 and 2.0 per cent in 2004. Over the medium term, inflation is expected to average 2.0 per cent. This is in line with the midpoint of the Bank of Canada's stated inflation target range of one to three per cent.

Risks to the Outlook

The economic forecast is based on a set of assumptions regarding growth in external trading partners, interest rates and the exchange rate. As with all forecasts, there are risks that could alter the outlook to produce stronger or weaker-than-expected growth in British Columbia. The global outlook has deteriorated somewhat in the past six months as geopolitical uncertainties have increased. In light of these developments, the Ministry's external growth assumptions are lower than the latest available *Consensus Forecasts*.

The most significant risk to the British Columbia outlook remains the strength of the U.S. recovery. The potential impacts on the British Columbia economy of the ratified Kyoto agreement on climate change are not well established. However, any such impacts are not expected until later in the forecast period.

Economic growth in British Columbia could be lower than forecast if:

- The sluggish growth in the U.S. economy reflects a shift to a lower long-term productivity growth path, or potentially a double-dip recession.
- The gap between growth in the Canadian and U.S. economies closes more quickly than expected as economic growth in Canada slows.
- Business and consumer confidence, weakened by stock market declines and by the fallout from corporate accounting problems, does not recover. Weakening confidence could stall the hesitant U.S. recovery currently underway.

On the other hand, implementation of the provincial government's integrated transportation plan will bring forward economic development opportunities and partnering opportunities for investment in the highway system, public transit and community airports. The Vancouver/Whistler bid for the 2010 Olympic Winter Games also poses opportunities related to investment in infrastructure.

Economic growth in British Columbia could be stronger than forecast if:

- Canada and the U.S. return to the high-productivity fuelled growth recorded in the late 1990s, generating stronger demand for goods and services.
- A favourable resolution to the softwood lumber agreement is reached, providing greater certainty for investment in the province.
- British Columbia business and consumer confidence strengthen further, resulting in increased investment and providing a base for stronger economic growth in the province.

Table 3.5 British Columbia Economic Review

	Actual 2001	Budget 2002 Forecast 2002	Actual/ Estimate 2002
	Per cent change unless otherwise note		
Gross Domestic Product (current dollars; per cent change)	1.2	1.0	2.2 [1]
Real Gross Domestic Product (per cent change)	-0.2	0.6	1.9 [1]
Consumer Expenditure	2.9	1.9	2.3
Capital Investment	5.2	2.3	4.4
Government Expenditure	5.7	-1.4	-0.6
Exports of Goods and Services	-4.3	-0.6	1.5
Imports of Goods and Services	1.0	1.2	3.1
Inventory Investment (change in billions of constant 1997 dollars)	-1.7	0.1	0.7
B.C. Economic Forecast Council - Real GDP growth	-0.2	0.7	1.9
Population July 1 (per cent change)	1.0	0.8	1.0
Net In-migration (persons)	31,634	28,800	28,500 [2]
Interprovincial	-6,332	-3,000	-3,700 [2]
International	37,966	31,800	32,200 [2]
Labour Force (thousands of persons)	2,103	2,123	2,158
(per cent change)	0.2	0.9	2.6
Employment (thousands of persons)	1,942	1,939	1,973
(per cent change)	-0.3	-0.2	1.6
Unemployment Rate (per cent)	7.7	8.7	8.6
Retail Sales (millions of current dollars)	37,979	39,000	40,220 [1]
(per cent change)	6.0	2.9	5.9
Labour Income[3]	69,882	69,860	70,990 [1]
(per cent change)	2.2	1.1	1.6
Corporate Pre-tax Profits (millions of current dollars)	10,009	8,080	10,120 [1]
(per cent change)	-2.8	-7.5	1.1
Housing Starts	17,234	18,200	21,625
(per cent change)	19.5	5.6	25.5
Consumer Price Index (1992 = 100)	115.2	116.8	117.9
(per cent change)	1.7	1.4	2.3
Key Assumptions:			
Economic Growth (per cent)			
Canada	1.5	1.0	3.3 [1]
United States	0.3	0.9	2.4
Japan	0.3	-1.0	-0.3 [1]
Europe	1.6	1.0	1.0 [1]
Housing Starts (per cent change)			
Canada	7.3	-3.5	26.0
United States	1.9	-4.4	6.4
Japan	-4.6	-1.7	-1.2 [1]
Industrial Production (per cent change)			
United States	-3.5	-1.8	-0.7
Japan	-7.5	-4.5	-1.5
Consumer Prices (per cent change)			
Canada	2.5	1.6	2.2
United States	2.8	1.6	1.6
Canadian Interest Rates (per cent; annual average)			
3-month Treasury Bills	3.8	2.4	2.6
Government of Canada 10-year+ Bonds	5.5	5.7	5.3
United States Interest Rates (per cent; annual average)			
3-month Treasury Bills	3.4	2.1	1.6
Government 10-year+ Bonds	5.0	5.6	4.6
U.S. cents / Canadian Dollar (annual average)	64.6	63.5	63.7
BC Goods and Services Export Price Deflator (Cdn$; per cent change)	2.9	-0.6	-2.6 [1]

[1] Ministry of Finance estimate.

[2] *BC STATS* estimate.

[3] Wages, salaries and supplementary labour income.

Table 3.6.1 Gross Domestic Product: British Columbia and Canada

			Forecast				
	2001	2002*	2003	2004	2005	2006	2007
BRITISH COLUMBIA:							
Gross Domestic Product at Market Prices:							
- Real (1997 $ million; chain-weighted)	**123,912**	**126,210**	**129,220**	**133,090**	**137,080**	**141,190**	**145,290**
(% change)	**-0.2**	**1.9**	**2.4**	**3.0**	**3.0**	**3.0**	**2.9**
- Current Dollar ($ million)	130,859	133,800	139,540	146,880	154,280	161,380	168,710
(% change)	1.2	2.2	4.3	5.3	5.0	4.6	4.5
- GDP Price Deflator (1997 = 100)	105.6	106.0	108.0	110.4	112.5	114.3	116.1
(% change)	1.3	0.4	1.9	2.2	2.0	1.6	1.6
Real GDP Per Person (1997 $; chain-weighted)	30,211	30,476	30,915	31,500	32,070	32,638	33,183
(% change)	-1.2	0.9	1.4	1.9	1.8	1.8	1.7
Real GDP Per Employed Person (% change; chain-weighted)	0.1	0.3	0.7	0.6	1.1	1.2	1.1
Real GDP (% change; fixed-weighted)[1]	0.8	2.0	2.4	3.1	3.1	3.0	2.9
Unit Labour Cost[2] (% change)	2.4	-0.3	0.8	1.8	1.6	1.5	1.3
CANADA:							
Gross Domestic Product at Market Prices:							
- Real (1997 $ billion; chain-weighted)	1,028	1,061	1,093	1,128	1,162	1,197	1,233
(% change)	1.5	3.3	3.1	3.2	3.0	3.0	3.0
- Current Dollar ($ billion)	1,092	1,140	1,201	1,263	1,324	1,390	1,459
(% change)	2.6	4.4	5.3	5.2	4.9	5.0	5.0
- GDP Price Deflator (1997 = 100)	106.3	107.5	109.8	112.0	114.0	116.2	118.4
(% change)	1.0	1.1	2.2	1.9	1.8	1.9	1.9
Real GDP Per Person (1997 $)	33,028	33,775	34,530	35,346	36,144	36,942	37,784
(% change)	0.5	2.3	2.2	2.4	2.3	2.2	2.3
Real GDP Per Employed Person (% change)	0.4	1.1	0.6	1.2	1.3	1.2	1.3

*: British Columbia GDP figures for 2002 are Ministry of Finance estimates.

[1] All constant dollar or "real" figures in Tables 3.6.1-3.6.5 are chain-weighted, except for this "fixed-weighted" measure, reflecting Statistic Canada's former method of measuring provincial and federal GDP. In November 2002, Statistics Canada introduced chain weighting to provincial GDP measures. Statistics Canada's new method of measuring constant dollar GDP ("chain-weighted") updates the weights of GDP components annually. Prior to this change, the Laspeyres, or "fixed-weighted", method was used to measure constant dollar GDP, where the weights were held constant for five years. For comparison purposes, we report both the chain-weighted and fixed-weighted real GDP forecast for British Columbia in Table 3.6.1.

[2] Unit labour cost is the nominal cost of labour incurred to produce one unit of real output.

Table 3.6.2 Components of British Columbia Real GDP at Market Prices

	2001	2002^e	2003	2004	2005	2006	2007
			Forecast				
			1997$ billion; chain-weighted				
Personal Expenditure on Goods and Services	80.3	82.1	84.6	87.9	90.3	92.7	95.1
(% change)	2.9	2.3	3.1	3.9	2.7	2.6	2.6
- Goods	34.7	35.7	36.8	38.4	39.3	40.2	41.0
(% change)	3.2	2.9	3.2	4.2	2.4	2.3	2.1
- Services	45.6	46.4	47.8	49.6	51.0	52.5	54.0
(% change)	2.6	1.8	3.0	3.6	3.0	2.9	2.9
Government Current Expenditures on Goods and Services	24.7	24.6	24.2	23.4	23.4	23.9	24.5
(% change)	5.7	-0.6	-1.6	-3.4	-0.1	2.5	2.5
Investment in Fixed Capital	25.4	26.5	27.4	28.7	30.5	31.7	32.9
(% change)	5.2	4.4	3.5	4.6	6.1	3.9	3.8
Final Domestic Demand	**130.4**	**133.1**	**136.2**	**139.9**	**144.0**	**148.1**	**152.3**
(% change)	**3.8**	**2.1**	**2.3**	**2.7**	**2.9**	**2.9**	**2.8**
Exports Goods & Services	55.0	55.8	56.9	59.1	61.3	63.4	65.7
(% change)	-4.3	1.5	2.0	3.9	3.7	3.5	3.6
Imports Goods & Services	60.7	62.6	64.2	66.7	69.0	71.0	73.2
(% change)	1.0	3.1	2.6	3.8	3.4	2.9	3.1
Inventory Change	-0.2	0.4	0.9	1.3	1.3	1.2	1.2
Statistical Discrepancy	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Real GDP at Market Prices	**123.9**	**126.2**	**129.2**	**133.1**	**137.1**	**141.2**	**145.3**
(% change)	**-0.2**	**1.9**	**2.4**	**3.0**	**3.0**	**3.0**	**2.9**

^e Figures for 2002 are Ministry of Finance estimates.

Table 3.6.3 Components of Nominal Income and Expenditure

	2001	2002	2003	2004	2005	2006	2007
			Forecast				
Labour Income[2] ($ million)	68,882	70,090 [1]	73,290	76,930	80,430	84,040	87,930
(% change)	2.2	1.8	5.2	4.9	4.7	4.5	4.5
Personal Income ($ million)	110,258	112,910 [1]	116,460	121,340	126,590	131,800	137,120
(% change)	2.6	2.4	3.1	4.2	4.3	4.1	4.0
Corporate Profits Before Taxes ($ million)	10,009	10,120 [1]	10,470	11,320	12,410	13,030	13,680
(% change)	-2.8	1.1	3.5	8.1	9.6	5.0	5.0
Retail Sales ($ million)	37,976	40,220 [1]	42,150	44,370	46,400	48,740	51,100
(% change)	6.3	5.9	4.8	5.3	4.6	4.8	4.8
Housing Starts	17,234	21,625	22,500	23,060	23,630	24,330	24,910
(% change)	19.5	25.5	4.0	2.5	2.5	3.0	2.4
Residential Investment[3] ($ million)	7,569	9,095 [1]	10,034	10,751	11,213	11,854	12,601
(% change)	11.5	20.2	10.3	7.1	4.3	5.7	6.3
B.C. Consumer Price Index (1992 = 100)	115.2	117.9	120.5	122.9	125.3	127.8	130.3
(% change)	1.7	2.3	2.2	2.0	2.0	1.9	2.0

[1] Ministry of Finance estimate.

[2] Domestic basis; wages, salaries and supplementary labour income.

[3] Includes renovations and improvements.

Table 3.6.4 Labour Market Indicators

	2001	2002	2003	2004	2005	2006	2007
			Forecast				
Population (on July 1) (000's)	4,102	4,141	4,180	4,225	4,274	4,326	4,379
(% change)	1.0	1.0	0.9	1.1	1.2	1.2	1.2
Labour Force Population, 15+ Years (000's)	3,280	3,325	3,372	3,424	3,480	3,536	3,594
(% change)	1.3	1.4	1.4	1.5	1.6	1.6	1.6
Net In-Migration							
○ International[3]	37,988	32,200 [1]	28,600	30,700	31,500	32,200	32,800
○ Interprovincial	-6,352	-3,700 [1]	2,300	8,000	10,200	12,100	13,000
○ Total[4]	31,636	28,500 [1]	31,000	38,700	41,700	44,300	45,800
Participation Rate[5] (%)	64.1	64.9	65.0	64.9	65.0	65.1	65.1
Labour Force (000's)	2,103	2,158	2,193	2,223	2,262	2,301	2,340
(% change)	0.2	2.6	1.6	1.4	1.7	1.7	1.7
Employment (000's)	1,942	1,973	2,007	2,058	2,098	2,133	2,171
(% change)	-0.3	1.6	1.7	2.6	1.9	1.7	1.8
○ Goods Sector Employment (000's)	380	387	391	399	409	416	423
(% change)	-5.7	1.7	1.0	2.2	2.5	2.0	1.8
○ Service Sector Employment (000's)	1,562	1,587	1,616	1,659	1,689	1,716	1,748
(% change)	1.0	1.6	1.8	2.5	1.8	1.6	1.8
Unemployment Rate (%)	7.7	8.6	8.5	7.6	7.4	7.3	7.2

[1] Ministry of Finance estimate.

[2] BC STATS estimate.

[3] International migration includes net non-permanent residents and returning emigrants less net temporary abroad.

[4] Total may not add due to rounding.

[5] Percentage of the population 15 years of age and over in the labour force.

Table 3.6.3 Major Economic Assumptions

	2001	2002	Forecast 2003	2004	2005	2006	2007
Real GDP (billions)							
Canada (1997 $, chain-weighted)	[illegible]	[illegible] [1]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(% change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S.A. (1996 U.S.$, chain-weighted)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(% change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan (1995 Yen)	[illegible]	[illegible] [1]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(% change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Europe[2] (% change)	[illegible]	[illegible] [1]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Housing Starts[3] (000's)							
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(% change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S.A.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(% change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(% change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Consumer Price Index							
Canada (1992=100)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(% change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S.A. (1982-1984=100)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
(% change)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Interest Rates (%)							
3-Month Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long-Term Government Bonds (10 year)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
United States Interest Rates (%)							
3-Month Treasury Bills	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Long-Term Government Bonds (10 year)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exchange Rate (U.S. cents / Canadian $)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Columbia Goods and Services Export Price Deflator (% change)	[illegible]	[illegible] [1]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[1] Ministry of Finance estimate.

[2] European Union less Luxembourg, plus Austria, Finland, Iceland, Norway, Sweden, Switzerland, Turkey and former Yugoslavia.

[3] British Columbia housing starts appear in Table 3.6.1.

The Economic Forecast Council, 2003

Introduction

Prior to the annual budget, the Minister of Finance seeks the advice of the Economic Forecast Council (the Council) on the outlook for the provincial economy and presents their forecasts with the budget. This consultation process is laid out in the *Budget Transparency and Accountability Act*.

The Minister met with the Council on December 9, 2002 to discuss the economic outlook. Council members' forecasts were made public at that time. The underlying forecast details are summarized in the table at the end of this topic box.

Council members discussed their views on the province's near-term economic outlook, as well as factors affecting the province's medium-term outlook. This was followed by a discussion of the impact of fiscal policy and other issues facing the British Columbia economy.

Overview

British Columbia outperformed the Council's earlier forecast of [illegible] per cent for 2002, growing an estimated [illegible] per cent last year. The stronger-than-expected growth reflected the province's rapid turnaround early in 2002. The Council indicated that the increased economic activity was mainly due to a surge in home construction and sales, as well as other consumer spending fuelled by federal and provincial tax cuts and lower-than-expected interest rates.

The general view of the Council was that the British Columbia economy would post stronger growth in 2003 and 2004, then grow [illegible] per cent on average in the 2005 through 2007 period.

The Canadian economy was expected to continue to outpace the U.S. economy in 2003 but stronger U.S. growth in 2004 would close the gap between the two economies. The discussion focused on the strength of the recovery in the U.S., the lack of job growth in the U.S. and implications for consumer spending, as well as the risk of a 'double dip' recession in the U.S. The Japanese economy was not expected to improve.

International Outlook

Most Council members expected the economic recovery in Canada, which began in early 2002, to continue. The Canadian economy was forecast to outpace the U.S. economy in 2003. Subsequently, stronger U.S. economic growth in 2004 through 2007 would result in the U.S. growing at a slightly faster pace than Canada.

The recovery in the U.S. economy, which was weak during 2002, was expected to gain strength in 2003 and beyond. In 2002, there had been a notable absence of business investment. As a result, economic growth was mainly due to consumer spending and residential investment. Changes in inventories also contributed to growth.

The majority of Council members agreed that there is considerable monetary stimulus in the U.S. economy to support a strong recovery. With interest rates at 40-year lows, the interest sensitive sectors of the economy, including housing and consumer spending, would continue to grow.

However, some Council members expressed concern about the risk of slower growth in the U.S. during 2003. In part, this was attributed to a lack of job growth putting at risk the ability of consumers to fuel further economic growth. Recent stock market declines, high consumer debt levels and lack of job growth could result in lower consumer spending and reduce overall economic growth.

Forecasts for the U.S. economy had a wider range than those for the Canadian economy.

[illegible]

[illegible]

The Canadian Economy

[illegible]

Financial Markets

[illegible]

British Columbia Economic Forecast Council: Summary of Forecasts
[illegible] Survey

Participant	Organization	[illegible]	[illegible]	[illegible]	[illegible] Average
		[illegible]			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average		[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Most Council members agreed that interest rates in the U.S. were low enough to support a relatively strong recovery by 2004. The intended federal funds rate was projected to be 1.5 per cent on average in 2003, rising to 3.5 per cent in 2004 and 4.5 per cent in the longer term.

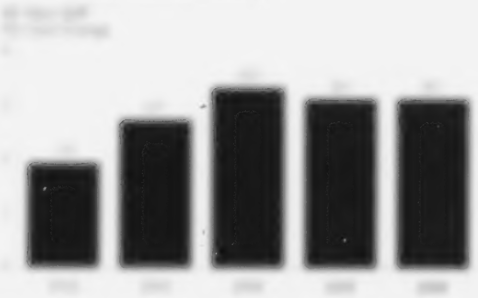
In Canada, the Bank of Canada's overnight target rate was forecast to increase from 3.4 per cent in 2003 to 4.6 per cent in 2004. Some Council members suggested interest rates in Canada would rise sooner than in the U.S. given the stronger economy north of the border.

The positive interest rate spread between Canada and the U.S. was expected to support a strong Canadian dollar. The value of the Canadian dollar was forecast at 65.2 cents US in 2003 and 66.7 cents US in 2004. For the 2005 to 2007 period, forecasts ranged from 62.6 to 73.8 cents US. The widening range of forecasts in the longer term reflects the divergent views among Council members on the ability of the Canadian dollar to appreciate against a strong U.S. currency.

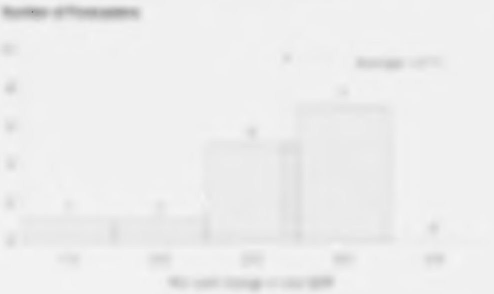
British Columbia Forecast

On average, participants at the Economic Forecast Council meeting expected B.C.'s economy to grow 2.7 per cent in 2003, 3.3 per cent in 2004 and 3.2 per cent per year in 2005 through 2007. Opinions for 2003 ranged from 1.5 per cent to 3 per cent. Forecasts of growth in 2003 were highly concentrated with 12 Council members predicting growth at or above 2.5 per cent. There were two lower forecasts of 1.5 per cent and 2.1 per cent.

Economic Forecast Council Outlook for the British Columbia Economy



Economic Growth Forecasts, 2003



External Issues

Participants cited the softwood lumber dispute with the U.S. as the biggest factor affecting the outlook for the BC economy. Council members agreed that a resolution to the softwood lumber dispute would benefit the province.

Two Council members noted that British Columbia is uniquely positioned to expand trade into the non-Japanese Asian markets, particularly China.

Increasing geopolitical uncertainty, the risk of terrorist attacks and a possible war with Iraq were mentioned as external issues that could affect the British Columbia economic outlook.

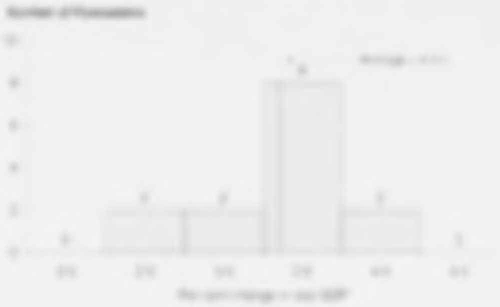
Sectoral Issues

The Council discussed recent developments in the domestic economy then focused on the outlook for consumer spending, housing and net in-migration.

Most Council members agreed that consumer spending in British Columbia was one of the main engines of growth in 2002. The consumer sector was largely expected to continue to contribute to overall economic growth in the forecast period. Retail sales were predicted to increase 4.8 per cent in 2003, 5.5 per cent in 2004 and 5.3 per cent per year in 2005 through 2007. Retail sales growth was supported by low interest rates in the short-term and gains in employment and incomes over the medium to longer term.

Residential construction was generally forecast to grow during the forecast period reflecting pent-up demand for housing and relatively low interest rates.

Economic Growth Forecasts, 2004



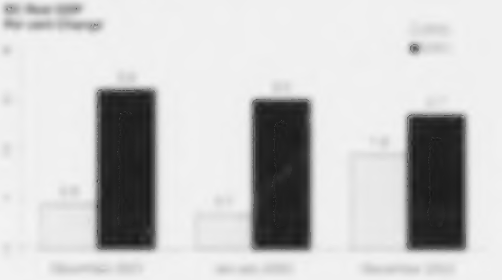
Some Council members expected continued high international immigration levels accompanied by a turnaround in net interprovincial in-migration. The return to positive net inflows of people from other provinces was due to improved employment prospects during the next few years, as well as the establishment of a more competitive tax environment. Others forecast a continued exodus from British Columbia to other provinces, despite improved economic growth.

The divergent views were reflected in the wide range of forecasts of net in-migration. Forecasts ranged from 13,000 to 40,500 people in 2003.

Several Council members noted an improved level of consumer and business confidence in the province since the provincial and federal government tax cuts in mid-2001, and that improved business confidence was key to increasing business investment.

Council members also commented that the absence of settled native land claims was a potential deterrent to investment in land-intensive sectors of the provincial economy. In particular, investments in mining may be held up because of uncertain access to land.

Forecast Developments, Economic Forecast Council



Government

Council members commented on the government's three-year plan. Several stressed the importance of maintaining the commitment to balance the budget beginning in 2004/05. Most participants agreed that an increase in business investment was needed to put the province on a faster growth path. Some stressed that the existing tax cuts were necessary to attract investment. As well, some Council members noted that plans to continue with further business tax reductions in Ontario and Alberta would put competitive pressure on British Columbia over the next two to three years. Other Council members noted that reduced government spending would be a drag on overall economic growth.

Risks to the Outlook

The Council discussed the major risks to the outlook for the British Columbia economy. On the upside, a possible resolution of the softwood lumber agreement would improve prospects for the BC economy. On the downside, a possible war with Iraq, and a continuation of the jobless recovery in the U.S. could jeopardize growth in BC. The Kyoto Protocol was recognized as a potential risk to the outlook, although the implications were unclear.

Forecast Survey – Participants' Opinions

All figures are based on annual averages	2002		2003		2004		2005 to 2007[2]	
	Range	Average[1]	Range	Average[1]	Range	Average[1]	Range	Average[1]
United States								
Real GDP (% change)	1.9 – 2.6	2.4 (14)[3]	2.3 – 3.6	2.9 (14)	3.0 – 4.3	3.7 (14)	2.8 – 3.8	3.3 (12)
Intended Federal Funds rate (%)	1.25 – 1.75	1.6 (13)	1.1 – 3.0	1.9 (13)	1.5 – 5.0	3.5 (13)	1.6 – 5.2	4.3 (11)
Housing starts (million units)	1.60 – 1.70	1.66 (13)	1.50 – 1.70	1.62 (13)	1.25 – 1.69	1.59 (12)	1.47 – 1.71	1.57 (10)
Canada								
Real GDP (% change)	3.1 – 3.5	3.3 (14)	2.8 – 3.8	3.4 (14)	2.7 – 4.4	3.6 (14)	2.6 – 4.0	3.1 (12)
Bank of Canada Overnight Target rate (%)	2.4 – 2.8	2.5 (11)	2.7 – 4.0	3.4 (11)	2.9 – 5.5	4.6 (11)	2.8 – 6.0	4.0 (10)
Exchange rate (US cents/C$)	63.5 – 64.2	63.8 (14)	62.5 – 67.4	65.2 (14)	62.0 – 70.4	66.7 (14)	62.0 – 73.8	68.0 (12)
British Columbia								
Real GDP (% change)	1.6 – 2.7	1.9 (14)	1.5 – 3.0	2.7 (14)	2.6 – 3.9	3.3 (14)	2.6 – 3.6	3.1 (12)
Nominal GDP (% change)	1.7 – 3.9	3.0 (13)	3.0 – 5.3	4.6 (13)	4.2 – 6.2	5.3 (13)	4.3 – 6.0	5.0 (11)
Personal income (% change)	1.0 – 4.6	2.9 (12)	3.1 – 5.2	4.1 (12)	3.5 – 6.5	5.2 (12)	3.6 – 6.2	5.0 (10)
Net Migration (thousand persons)	8.0 – 37.3	24.7 (12)	13.0 – 40.5	27.9 (12)	14.0 – 47.5	32.8 (11)	15.0 – 53.8	36.8 (9)
Employment (% change)	1.0 – 2.0	1.4 (13)	0.9 – 4.0	1.9 (13)	1.0 – 5.0	2.3 (13)	1.1 – 2.7	1.9 (10)
Unemployment rate (%)	8.5 – 8.8	8.6 (14)	7.8 – 8.8	8.2 (14)	7.3 – 8.4	7.8 (14)	7.0 – 7.7	7.3 (11)
Corporate pre-tax profits (% change)	-4.0 – 6.1	0.5 (6)	-1.4 – 10.1	0.2 (6)	2.0 – 15.0	10.7 (6)	0.7 – 8.0	5.3 (5)
Housing starts (thousand units)	19.0 – 22.6	21.0 (14)	18.5 – 25.4	21.5 (14)	17.0 – 28.0	22.0 (14)	17.0 – 31.0	23.5 (11)
Retail sales (% change)	4.0 – 6.7	5.7 (14)	3.0 – 6.5	4.8 (14)	4.0 – 7.0	5.5 (14)	4.0 – 6.8	5.3 (12)

[1] Based on responses from participants providing forecasts.

[2] Participants provided an average forecast for 2005 to 2007.

[3] Number of respondents shown in parenthesis.

Part 4: *2002/03 UPDATED FINANCIAL FORECAST (THIRD QUARTERLY REPORT)*

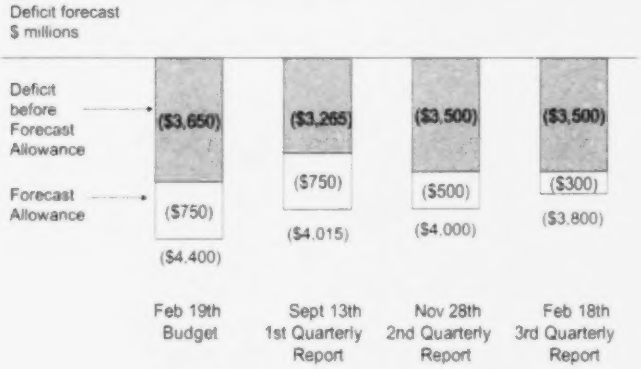
Table 4.1 2002/03 Budget and Forecast Updates

($ millions)	Budget	First *Quarterly Report*	Second *Quarterly Report*	Third *Quarterly Report*
Consolidated revenue fund (CRF)				
Revenue	22,038	22,266	21,926	22,093
Expense	(25,556)	(25,366)	(25,300)	(25,412)
CRF balance	**(3,518)**	**(3,100)**	**(3,374)**	**(3,319)**
Crown corporations and agencies				
Taxpayer-supported	(206)	(208)	(174)	(243)
Self-supported commercial	74	43	48	62
Crown corporation and agency net results [1]	**(132)**	**(165)**	**(126)**	**(181)**
Subtotal	**(3,650)**	**(3,265)**	**(3,500)**	**(3,500)**
Forecast allowance	(750)	(750)	(500)	(300)
Deficit	**(4,400)**	**(4,015)**	**(4,000)**	**(3,800)**

[1] Net of dividend payments and contributions to/from the CRF.

The deficit forecast for 2002/03 has improved by $200 million from the second *Quarterly Report* forecast. At $3.8 billion, the deficit which includes a $300 million forecast allowance for potential negative developments over the rest of the year, is now projected to be $600 million lower than forecast in the February 19, 2002 budget. Excluding forecast allowances, the updated deficit forecast would be $3.5 billion, $150 million less than the comparable budget forecast of $3.65 billion.

Chart 4.1 Progress of 2002/03 financial forecasts



Part 4: ***2002/03 UPDATED FINANCIAL FORECAST (THIRD QUARTERLY REPORT)***

Table 4.1 2002/03 Budget and Forecast Updates

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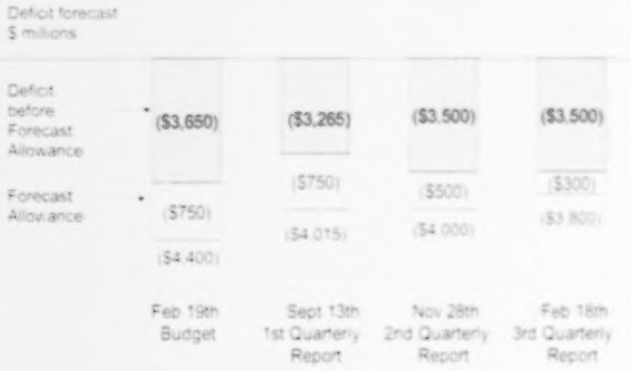


Since the second *Quarterly Report* in November:

- The CRF revenue forecast has increased by $167 million, mainly due to improving natural resource revenues. This is partially offset by lower tax revenues resulting from weaker final 2001 corporation income tax assessments and a lower forecast for 2002 and 2003 income tax growth.
- The CRF spending forecast increased $112 million. A $275 million spending provision to assist with the transition to a sustainable forestry sector is partially offset by further below-budget spending due to lower debt interest costs, lower employment assistance caseloads in the Ministry of Human Resources and reduced spending in other areas.
- Crown corporations show a $55 million deterioration mainly due to a one-time $77 million negative accounting adjustment to BC Ferries' asset values, partially offset by improved operating results for ICBC.
- The forecast allowance has been lowered $200 million in recognition of reduced uncertainties remaining over the final quarter of the year.

Table 4.2 provides details on developments since the second *Quarterly Report*.

Revenue

The revenue forecast is $167 million higher than the second *Quarterly Report*. Significant changes include:

- *Personal income tax* – down $34 million due to weaker assumed personal income tax growth in 2002/03.
- *Corporation income tax* – down $19 million due to lower-than-assumed final assessments for the 2001 tax year that reduces the provincial share of the national tax base. In addition, the federal government reduced its forecast of the 2003 national tax base, thereby lowering March 2003 payments.
- *Social service tax* – down $20 million reflecting lower-than-expected revenue during the nine months up to December 2002.
- *Property transfer tax* – up $18 million reflecting a strong housing market.
- *Natural resources* – up $164 million. Revenue from petroleum, natural gas and minerals is expected to increase $72 million mainly due to higher natural gas prices. Forests revenue is forecast to be up $92 million due to higher timber harvest volumes.
- *Federal transfer payments* – up $12 million as final 2001 provincial income tax bases result in lower equalization payments, offset by higher Canada health and social transfer payments.

Further details on the full year revenue forecast are shown in Table 4.7 and key assumptions are provided in Appendix Table A.11.

Table 4.2 Summary of Updates Since the Second *Quarterly Report*

	Change		Updated Forecast
	($ millions)		
2002/03 deficit - second *Quarterly Report* updated forecast			(4,000)
Third *Quarterly Report* updates			
Consolidated revenue fund (CRF) updates			
Revenue			
- Lower tax revenues mainly due to a weaker estimate for personal and corporation income taxes in 2002/03	(53)		
- Higher natural gas, petroleum and mineral revenues	72		
- Higher forestry revenue reflecting stronger harvest volumes to December	52		
- Lower equalization entitlements due to changes in the provincial distribution of the national income tax bases	(102)		
- Higher CHST revenues offsetting loss in equalization transfers	114		
- Other revenue changes, mainly in MSP premiums	84	167	
Expense			
- Lower interest costs mainly due to lower debt levels and lower short-term interest rates	70		
- Human Resources - lower employment assistance caseloads and cost per case	47		
- Restructuring - lower expected costs	9		
- Savings in other ministries	37		
Total ministry changes	163		
- Forest restructuring - provision to assist the transition to a sustainable forestry sector	(275)	(112)	55
Crown corporation updates			
Taxpayer supported			
- BC Transportation Financing Authority - lower interest costs	17		
- Accounting adjustment for previous capital grants to BC Ferries	(77)		
- Other changes and adjustments	(9)	(69)	
Self-supported commercial			
- ICBC - improved operating results	19		
- Other changes and adjustments	(5)	14	(55)
Forecast allowance reduction			200
2002/03 deficit - third *Quarterly Report* updated forecast			(3,800)

Spending

The spending forecast increased $112 million from the second *Quarterly Report*. Further below-budget spending of $163 million in ministries and in other areas is offset by a provision of $275 million for costs associated with the transition to a sustainable forestry sector.

The forecast update for ministries and other programs in part reflects spending trends experienced in the first nine months. During the first nine months ending December 31, 2002 spending was $826 million lower than expected reflecting below-budget spending in almost all programs and lower debt interest costs.

By year-end, all ministries and programs are expected to be on or below budget before factoring in a provision for forestry sector restructuring. After taking into account the one-time provision to assist with the transition to a sustainable forestry sector, total CRF spending will be $144 million below budget for the year.

Table [illegible] Summary of Updates Since the Second Quarterly Report

	Change		Updated Forecast
	($ millions)		
2002/03 deficit – second Quarterly Report updated forecast			[illegible]
Third Quarterly Report updates			
Consolidated revenue fund (CRF) updates			
Revenue			
- Lower tax revenues mainly due to a weaker estimate for personal and corporation income taxes in 2002/03	[illegible]		
- Higher natural gas, petroleum and mineral revenues	[illegible]		
- Higher forestry revenue reflecting stronger harvest volumes to December	[illegible]		
- Lower equalization entitlements due to changes in the provincial distribution of the national income tax bases	[illegible]		
- Higher CHST revenues offsetting loss in equalization transfers	[illegible]		
- Other revenue changes, mainly in MSP premiums	[illegible]	[illegible]	
Expense			
- Lower interest costs mainly due to lower debt levels and lower short-term interest rates	[illegible]		
- Human Resources – lower employment assistance caseloads and cost per case	[illegible]		
- Restructuring – lower expected costs	[illegible]		
- Savings in other ministries	[illegible]		
Total ministry changes	[illegible]		
- Forest restructuring – provision to assist the transition to a sustainable forestry sector	[illegible]	[illegible]	[illegible]
Crown corporation updates			
Taxpayer supported			
- BC Transportation Financing Authority – lower interest costs	[illegible]		
- Accounting adjustment for previous capital grants to BC Ferries	[illegible]		
- Other changes and adjustments	[illegible]	[illegible]	
Self-supported commercial			
- ICBC – improved operating results	[illegible]		
- Other changes and adjustments	[illegible]	[illegible]	[illegible]
Forecast allowance reduction			[illegible]
2002/03 deficit – third Quarterly Report updated forecast			[illegible]

Spending

The spending forecast increased $112 million from the second Quarterly Report. Further below-budget spending of $163 million in ministries and in other areas is offset by a provision of $275 million for costs associated with the transition to a sustainable forestry sector.

The forecast update for ministries and other programs in part reflects spending trends experienced in the first nine months. During the first nine months ending December 31, 2002 spending was $[illegible] million lower than expected reflecting below-budget spending in almost all programs and lower debt interest costs.

By year-end, all ministries and programs are expected to be on or below budget before factoring in a provision for forestry sector restructuring. After taking into account the one-time provision to assist with the transition to a sustainable forestry sector, total CRF spending will be $[illegible] million below budget for the year.

Significant changes since the second Quarterly Report include:

- Ministry of Human Resources — down $17 million mainly reflecting a continuation of a downward trend in the employment assistance caseload and average costs per case. Based on current and expected trends, the monthly caseload is forecast to average about 152,000 or 10 per cent below budget for the year.
- Management of Public Funds and Debt (debt interest) — down $70 million mainly due to lower expected debt levels at year-end and lower expected short-term interest rates in the final quarter of the fiscal year.
- Forest Restructuring — A $275 million spending provision has been included in the forecast to assist with the transition to a sustainable forestry sector. Legislative and policy changes are still being developed and will be announced shortly. A supplementary estimate will be presented to the Legislature before the fiscal year-end.

As a result of successful management of ministry budgets and earlier-than-expected progress in meeting three-year service plan targets, ministries are reviewing their spending plans over the remainder of the 2002/03 fiscal year in order to address one-time funding needs in a number of priority areas. Some of these include:

Priority Spending	$ millions
Ministry of Advanced Education	
○ Genomic research – grants to promote advanced research	[illegible]
○ Leadership and Regional Innovation Chairs – funding grants for universities and college chairs	[illegible]
Ministry of Children and Family Development	
○ Early Childhood Development (ECD) Partnership Fund – grant to allow creation of endowment fund to increase ECD capacity	[illegible]
○ Aboriginal Early Childhood Development Research Chair – funding grant for university/college chair	[illegible]
Ministry of Education	
○ School districts – one-time grants to improve student achievement	[illegible]
Ministry of Health Services	
○ Genomic research – grants to promote advanced research	[illegible]
○ Leadership Chairs – funding grants for university chairs	[illegible]
Total	[illegible]

These priority spending initiatives are included in the updated ministry spending forecasts shown in Table 1.6.

The second Quarterly Report identified spending pressures for the Ministries of Forests and Public Safety and Solicitor General. The updated forecast assumes that these pressures will be managed within ministry budgets or funded through the Contingencies Vote as shown in Table 1.5.

Table 1.[illegible] Consolidated Revenue Fund – 2002/03 Pressures Allocated to the Contingencies Vote

	($ millions)
Contingencies allocation:	
Ministry of Education – [illegible] University of BC (UBC) Foundation – UBC library	[illegible]
Agriculture, Food and Fisheries – [illegible]	[illegible]
Children and Family Development – [illegible]	[illegible]
Energy and Mines – offshore oil and gas development	[illegible]
Forests – [illegible]	[illegible]
Public Safety and Solicitor General – Emergency Program Act – floods	[illegible]
Public Safety and Solicitor General – [illegible]	[illegible]
Transportation – Public Transit – [illegible]	[illegible]
Subtotal	[illegible]
Unallocated	[illegible]
Total Contingencies budget	[illegible]

A total of $[illegible] million has been allocated to the Contingencies Vote, leaving [illegible] million available to address other spending pressures over the rest of the year. Further details on the spending forecasts are shown in Table [illegible] and assumptions are provided in Appendix Table [illegible].

Crown Corporations and Agencies

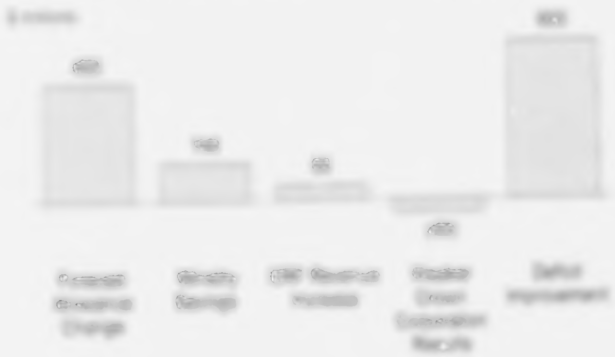
Crown corporation and agency net income are projected to be [illegible] million higher than the second Quarterly Report. Significant changes include:

- BC Transportation Financing Authority (BCTFA) – [illegible] million [illegible]
- Accounting adjustment – [illegible] million [illegible] BC Hydro [illegible]
- British Columbia Railway Company – [illegible] million [illegible]
- Insurance Corporation of British Columbia (ICBC) – [illegible] million [illegible]

Further details on the Crown corporation forecasts are shown in Table [illegible].

[illegible]

Chart 4.2 Changes to 2002/03 Budget Forecast



2002/03 Fiscal Year Review

Since the February 19, 2002 budget, revenue, spending and Crown corporation forecasts have, in aggregate, stayed close to or ahead of budget as significant changes to individual elements have largely offset each other.

The forecast for income tax revenues fell significantly as assessment reports for the 2001 tax year were received from the federal government. The lower-than-forecast estimates of 2001 personal and corporation income tax revenues reduce the tax base for 2002 and subsequent years. The estimated impact in 2002/03 was a $708 million loss in income tax revenues. This loss was more than offset by increases in other revenue sources, primarily equalization transfers and natural resources.

Overall government spending is now projected to be $140 million below budget. Excluding the provision for forestry restructuring, spending for the year would have been $429 million below budget due to lower debt interest costs, lower-than-assumed employment assistance caseloads, and below-budget spending in various ministries.

Crown corporation net losses are forecast to be $49 million higher than the February 19, 2002 budget. Taxpayer-supported Crown corporation net losses are forecast to be $37 million higher than budget, primarily due to accounting adjustments resulting from the restructuring of BC Ferries, partially offset by improved operating results for the BCTFA.

Commercial Crown corporation net results were $12 million lower than anticipated as an accounting policy change for BC Hydro led to higher contributions paid to the CRF. This was partially offset by improved operating results for ICBC. The deterioration in BC Rail's results during the January-to-March period was included in the province's 2001/02 financial statements. As well, a gain on sale of selected BC Marine assets is expected in the first quarter of 2003. Therefore, the reported losses are offset by an accounting adjustment that reflects BC Rail's net results during the province's fiscal year.

Capital Spending and Provincial Debt

Since the second *Quarterly Report*, the capital spending forecast has been lowered $268 million to total $2.2 billion. Significant changes are shown in Table 4.5.

In total, capital spending for the year is $551 million below the February 19, 2002 budget mainly due to lower spending for health and education facilities, ministry minor capital purchases, the *SkyTrain* extension project and ICBC's Surrey Central City project.

Table 4.4 2002/03 Budget and Forecast Updates - Capital Spending and Provincial Debt

($millions)	Budget	First Quarterly Report	Second Quarterly Report	Third Quarterly Report
Capital spending				
Taxpayer-supported	1,669	1,398	1,399	1,181
Self-supported	1,061	1,071	1,048	998
Total capital spending	2,730	2,469	2,447	2,179
Provincial Debt				
Taxpayer-supported	31,601	30,610	30,766	29,281
Self-supported	8,377	7,789	7,643	7,687
Forecast allowance	750	750	500	300
Total provincial debt	40,728	39,149	38,909	37,268
Total provincial debt as a per cent of GDP	31.3%	29.5%	29.2%	27.9%
Taxpayer-supported debt as a per cent of GDP	24.3%	23.0%	23.1%	21.9%

Further details on capital spending are shown in Table 4.10. Information on updated forecasts for major capital projects (those with multi-year budgets totalling $50 million or more) is provided in Table 4.11.

Provincial debt is forecast to total $37.3 billion at year-end. The forecast is $1.64 billion lower than the second *Quarterly Report* due to an improved CRF deficit forecast, lower capital spending, timing differences between accrued spending and cash payments, lower working capital requirements and a lower debt forecast allowance mirroring the deficit forecast allowance (see Table 4.5). The decreased forecast continues a trend which saw the debt forecast decline by $1.82 billion as of the second *Quarterly Report*. Total debt is now forecast to be $3.46 billion below budget.

Further information on the debt forecast is shown in Table 4.12.

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Self-supported	8,377	7,789	7,643	7,687
Forecast allowance	750	750	500	300
Total provincial debt	40,728	39,149	38,909	37,268
Total provincial debt as a per cent of GDP	31.3%	29.5%	29.2%	27.9%
Taxpayer-supported debt as a per cent of GDP	24.3%	23.0%	23.1%	21.9%

Further details on capital spending are shown in Table 4.10. Information on updated forecasts for major capital projects (those with multi-year budgets totalling $50 million or more) is provided in Table 4.11.

Provincial debt is forecast to total $37.3 billion at year-end. The forecast is $1.64 billion lower than the second *Quarterly Report* due to an improved CRF deficit forecast, lower capital spending, timing differences between accrued spending and cash payments, lower working capital requirements and a lower debt forecast allowance mirroring the deficit forecast allowance (see Table 4.5). The decreased forecast continues a trend which saw the debt forecast decline by $1.82 billion as of the second *Quarterly Report*. Total debt is now forecast to be $3.46 billion below budget.

Further information on the debt forecast is shown in Table 4.12.

Table 4.5 - Summary of Updates Since the Second *Quarterly Report* - Capital Spending and Debt

	Change	Updated Forecast
	($ millions)	
Capital spending - second *Quarterly Report* updated forecast		**2,447**
Taxpayer-supported		
Health facilities	(39)	
Rapid Transit Project 2000	(37)	
Minor capital purchases by ministries	(70)	
Other	(72)	**(218)**
Self-supported commercial		**(50)**
Capital spending - third *Quarterly Report* updated forecast		**2,179**
Provincial debt at March 31, 2003 - second *Quarterly Report* updated forecast		**38,909**
Taxpayer-supported debt		
Provincial government operating		
- improved CRF revenue	(167)	
- lower minor capital purchases by ministries	(70)	
- spending cash/accrual timing differences	(400)	
- higher cash balances resulting from debt financing transactions	(314)	
- reduced working capital requirements	(323)	
Education facilities (mainly lower capital spending)	(31)	
Health facilities (mainly lower capital spending)	(47)	
Transportation (mainly lower capital spending)	(84)	
Other (mainly reduced social housing working capital requirements)	(49)	**(1,485)**
Self-supported commercial		
BC Hydro (increased working capital requirements)	63	
Columbia basin power projects (deferred borrowing)	(23)	
Other	4	**44**
Debt forecast allowance - reduced to $300 million from $500 million		**(200)**
Provincial debt at March 31, 2003 - third *Quarterly Report* updated forecast		**37,268**

Table 4.6 Updated Forecast

	Year-to-Date Actual to December 31				Full Year			
	2002/03				2002/03			
($ millions)	Budget	Actual	Variance	Actual 2001/02[1]	Budget	Updated Forecast	Variance	Actual 2001/02[1]
Consolidated revenue fund (CRF)								
Revenue	16,368	16,621	253	16,888	22,038	22,093	55	23,125
Expense	(19,064)	(18,238)	826	(18,341)	(25,556)	(25,412)	144	(25,255)
CRF balance	**(2,696)**	**(1,617)**	**1,079**	**(1,453)**	**(3,518)**	**(3,319)**	**199**	**(2,130)**
Crown corporations and agencies								
Taxpayer-supported	(94)	(24)	70	71	(206)	(243)	(37)	(83)
Self-supported commercial	259	353	94	(162)	74	62	(12)	(484)
Crown corporation and agency net results	**165**	**329**	**164**	**(91)**	**(132)**	**(181)**	**(49)**	**(567)**
Subtotal	**(2,531)**	**(1,288)**	**1,243**	**(1,544)**	**(3,650)**	**(3,500)**	**150**	**(2,697)**
Forecast allowance	-	-	-	-	(750)	(300)	450	-
Deficit before joint trusteeship	**(2,531)**	**(1,288)**	**1,243**	**(1,544)**	**(4,400)**	**(3,800)**	**600**	**(2,697)**
Joint trusteeship (one-time adjustment)	-	-	-	1,464	-	-	-	1,464
Deficit	**(2,531)**	**(1,288)**	**1,243**	**(80)**	**(4,400)**	**(3,800)**	**600**	**(1,233)**

[1] Restated to be consistent with the presentation used in 2002/03.

Table 4.5 - Summary of Updates Since the Second *Quarterly Report* - Capital Spending and Debt

	Change	Updated Forecast
	($ millions)	
Capital spending - second *Quarterly Report* updated forecast		**2,447**
Taxpayer-supported		
Health facilities	(39)	
Rapid Transit Project 2000	(37)	
Minor capital purchases by ministries	(70)	
Other	(72)	**(218)**
Self-supported commercial		**(50)**
Capital spending - third *Quarterly Report* updated forecast		**2,179**
Provincial debt at March 31, 2003 - second *Quarterly Report* updated forecast		**38,909**
Taxpayer-supported debt		
Provincial government operating		
- improved CRF revenue	(167)	
- lower minor capital purchases by ministries	(70)	
- spending cash/accrual timing differences	(400)	
- higher cash balances resulting from debt financing transactions	(314)	
- reduced working capital requirements	(323)	
Education facilities (mainly lower capital spending)	(31)	
Health facilities (mainly lower capital spending)	(47)	
Transportation (mainly lower capital spending)	(84)	
Other (mainly reduced social housing working capital requirements)	(49)	**(1,485)**
Self-supported commercial		
BC Hydro (increased working capital requirements)	63	
Columbia basin power projects (deferred borrowing)	(23)	
Other	4	**44**
Debt forecast allowance - reduced to $300 million from $500 million		**(200)**
Provincial debt at March 31, 2003 - third *Quarterly Report* updated forecast		**37,268**

Table 4.6 Updated Forecast

	Year-to-Date Actual to December 31				Full Year			
	2002/03				2002/03			
($ millions)	Budget	Actual	Variance	Actual 2001/02[1]	Budget	Updated Forecast	Variance	Actual 2001/02[1]
Consolidated revenue fund (CRF)								
Revenue	16,368	16,621	253	16,888	22,038	22,093	55	23,125
Expense	(19,064)	(18,238)	826	(18,341)	(25,556)	(25,412)	144	(25,255)
CRF balance	**(2,696)**	**(1,617)**	**1,079**	**(1,453)**	**(3,518)**	**(3,319)**	**199**	**(2,130)**
Crown corporations and agencies								
Taxpayer-supported	(94)	(24)	70	71	(216)	(243)	(27)	(71)
Self-supported commercial	259	353	94	(152)	84	62	(22)	(496)
Crown corporation and agency net results	**165**	**329**	**164**	**(81)**	**(132)**	**(181)**	**(49)**	**(567)**
Subtotal	**(2,531)**	**(1,288)**	**1,243**	**(1,534)**	**(3,650)**	**(3,500)**	**150**	**(2,697)**
Forecast allowance	–	–	–	–	(750)	(300)	450	–
Deficit before joint trusteeship	**(2,531)**	**(1,288)**	**1,243**	**(1,534)**	**(4,400)**	**(3,800)**	**600**	**(2,697)**
Joint trusteeship (one-time adjustment)	–	–	–	1,454	–	–	–	1,454
Deficit	**(2,531)**	**(1,288)**	**1,243**	**(80)**	**(4,400)**	**(3,800)**	**600**	**(1,243)**

[1] Restated to be consistent with the presentation used in 2002/03.

Table 4.7 Consolidated Revenue Fund Revenue by Source

	Year-to-Date Actual to December 31				Full Year			
	2002/03				2002/03			
($ millions)	Budget[1]	Actual[2]	Variance	Actual 2001/02[3]	Budget	Updated Forecast[2]	Variance	Actual 2001/02[3]
Taxation:								
Personal income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Corporation income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Social service	[illegible]	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Property transfer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Natural resources:								
Natural gas royalties	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Permits and fees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Petroleum royalties and minerals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Forests	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Columbia River Treaty	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water resources, Wildlife Act and other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other revenue:								
Medical Services Plan premiums	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contributions from Crown corporations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contributions from the Federal government:								
Canada health and social transfer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equalization	–	[illegible]	[illegible]	–	–	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[1] Figures reflect nine-month allocations of the full-year budget as presented in the February 19 Budget based on planned actions and seasonal patterns.

[2] Figures for 2002/03 exclude dedicated revenue collected on behalf of, and transferred to, Crown corporations and other agencies and jurisdictions including Tourism BC, BC Transportation Financing Authority, BC Transit, BC Ferries, the Greater Vancouver Transportation Authority (TransLink), and the BC Oil and Gas Commission.

[3] For comparative purposes, the 2001/02 figures have been restated to be consistent with the presentation used in 2002/03. This change reflects the inclusion of Forest Renewal BC's revenue in the CRF.

Table 4.8 Consolidated Revenue Fund Expense by Ministry

($ millions)	Year-to-Date (April 1 to December 31)				Full Year			
	2002/03				2002/03			
	Budget	Actual	Variance	Actual 2001/02	Budget	Updated Forecast	Variance	Actual 2001/02
Legislation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Officers of the Legislature	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Office of the Premier	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Advanced Education	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Agriculture, Food and Fisheries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Attorney General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Children and Family Development	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Community, Aboriginal and Women's Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Competition, Science and Enterprise	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Education	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Energy and Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Finance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Forests	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Health Planning	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Health Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Human Resources	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Management Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Provincial Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Public Safety and Solicitor General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Skills Development and Labour	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sustainable Resource Management	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Transportation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Water, Land and Air Protection	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Management of Public Funds and Debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Family Bonus	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	[illegible]
Government Restructuring (All Ministries)	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]
Contingencies (All Ministries)	–	–	–	–	[illegible]	[illegible]	–	–
Other Appropriations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Subtotal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Forestry Restructuring	–	–	–	–	–	[illegible]	[illegible]	–
Total expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Table 8.7 Consolidated Revenue Fund Revenue by Source

($ millions)	Year-to-Date to December 31				Full Year			
	Budget	Actual	Variance	Actual 2001/02	Budget	Updated Forecast	Variance	Actual 2001/02
Taxation:								
Personal income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Corporation income	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Social service	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Property transfer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Natural resources:								
Natural gas royalties	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Permits and fees	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Forests	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other revenue:								
Medical Services Plan premiums	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contributions from Crown corporations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Contributions from the federal government:								
Canada health and social transfer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Equalization	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

[illegible]

[illegible]

Table 4.8 Consolidated Revenue Fund Expense by Ministry

[illegible]

[illegible]

Table 4.9 Crown Corporation and Agency Updated Forecast

	Year-to-Date Actual to December 31				Full Year			
	2002/03				2002/03			
($ millions)	Budget	Actual	Variance	Actual 2001/02 [1]	Budget	Updated Forecast	Variance	Actual 2001/02 [1]
Taxpayer-supported								
British Columbia Buildings Corporation	24	33	9	27	24	25	1	27
British Columbia Ferry Corporation	38	62	24	49	16	24	8	(23)
BC Transportation Financing Authority	(39)	(8)	31	22	(56)	(20)	36	–
0920713 British Columbia Ltd. [2]	–	–	–	83	–	–	–	84
Other	14	15	1	25	3	(9)	(12)	(6)
Less: Accounting adjustments [3]	(151)	(143)	8	(135)	(174)	(244)	(70)	(108)
Taxpayer-supported results before contributions to CRF	**(114)**	**(41)**	**73**	**71**	**(187)**	**(224)**	**(37)**	**(45)**
Less: Contributions paid to CRF	–	(2)	(2)	–	(19)	(19)	–	(17)
Taxpayer-supported net results	**(114)**	**(43)**	**71**	**71**	**(206)**	**(243)**	**(37)**	**(62)**
Self-supported commercial								
British Columbia Hydro & Power Authority	234	336	102	181	345	415	70	403
Less: Transfer (from) to RSA	–	–	–	–	5	(65)	(70)	(145)
BC Hydro net operating results	234	336	102	181	350	350	–	258
Liquor Distribution Branch	509	534	25	513	640	651	11	637
British Columbia Lottery Corporation	455	472	17	445	660	675	15	636
British Columbia Railway Company	14	(83)	(97)	(118)	14	(83)	(97)	(107)
Insurance Corporation of British Columbia	(10)	33	43	(298)	(10)	33	43	(291)
Other	5	14	9	2	5	12	7	–
Less: Accounting adjustments [4]	(68)	(35)	33	(60)	(180)	(99)	81	(207)
Self-supported commercial results before contributions to CRF	**1,139**	**1,271**	**132**	**665**	**1,479**	**1,539**	**60**	**926**
Less: Contributions paid to CRF	(861)	(900)	(39)	(825)	(1,401)	(1,477)	(76)	(1,430)
Self-supported commercial net results	**278**	**371**	**93**	**(160)**	**78**	**62**	**(16)**	**(504)**
Crown corporation and agency net results	**164**	**328**	**164**	**(89)**	**(128)**	**(181)**	**(53)**	**(566)**

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[1] Restated to be consistent with the presentation used for 2002/03. The change primarily reflects the inclusion of Forest Renewal BC's revenue and expenses as part of the CRF. The effect of the change is the elimination of FRBC's loss and the wind-up transfer to the CRF, resulting in a $71 million decrease to the net losses of taxpayer-supported Crown corporations ($105 million decrease for the full year).

[2] 2001/02 includes debt assistance of $[illegible] million and a $87 million net write-down of 0920713 British Columbia Ltd. as a result of the disposal of Skeena Cellulose Inc.

[3] Primarily reflects the amortization of the cost of highways transferred to the BC Transportation Financing Authority in 1998/99. The 2002/03 updated forecast includes an accounting adjustment for previous capital grants to BC Ferries.

[4] Primarily reflects adjustments to account for differences between the fiscal year ends of the government and BC Rail and ICBC, and transfers of BC Lottery revenue to charities and local governments. The 2001/02 adjustment includes $89 million of restructuring costs incurred by BC Rail during the January - March 2002 period.

Table 4.10 Capital Spending

	Year to Date Actual to December 31				Full Year			
	2002/03				2002/03			
($ millions)	Budget [1]	Actual	Variance	Actual 2001/02	Budget	Updated Forecast	Variance	Actual 2001/02
Taxpayer-supported								
Education	326	255	(71)	255	468	385	(83)	360
Health [2]	95	84	(11)	121	273	134	(139)	169
BC Transportation Financing Authority	231	229	(2)	301	254	256	2	324
BC Ferries	70	37	(33)	31	103	66	(37)	57
Rapid Transit Project 2000 [2]	78	33	(45)	200	143	88	(55)	199
Government operating (ministries)	161	77	(84)	72	301	187	(114)	203
Other [3]	81	39	(42)	73	129	64	(65)	102
Total taxpayer-supported	**1,042**	**756**	**(286)**	**1,053**	**1,669**	**1,181**	**(488)**	**1,414**
Self-supported commercial								
BC Hydro	554	533	(21)	364	745	745	-	545
BC Rail	50	47	(3)	52	66	58	(8)	78
Columbia River power projects [4]	64	45	(19)	108	86	94	8	118
ICBC [5]	101	38	(63)	74	116	56	(60)	107
BC Lotteries	20	24	4	12	26	34	8	20
Liquor Distribution Branch	18	6	(12)	18	22	11	(11)	26
Total self-supported commercial	**807**	**694**	**(113)**	**628**	**1,061**	**999**	**(62)**	**894**
Total capital expenditures	**1,849**	**1,449**	**(401)**	**1,681**	**2,730**	**2,179**	**(551)**	**2,308**

[1] Reflects nine-month allocations of the full-year budget based on planned activities and seasonal patterns.

[2] Net of spending by hospital districts for cost-shared projects and capital spending on behalf of, and recovered from, the Greater Vancouver Transportation Authority (TransLink).

[3] Includes BC Housing Management Commission, Provincial Rental Housing Corporation, BC Buildings Corporation, Ministry of Attorney General, Ministry of Public Safety and Solicitor General, Ministry of Children and Family Development and BC Transit.

[4] Columbia Power Corporation and Columbia Basin Trust.

[5] Includes ICBC Properties Ltd.

Table 4.9 Crown Corporation and Agency Updated Forecast

	Year-to-Date Actual to December 31				Full Year			
	2002/03				2002/03			
($ millions)	Budget	Actual	Variance	Actual 2001/02[1]	Budget	Updated Forecast	Variance	Actual 2001/02[1]
Taxpayer-supported								
British Columbia Buildings Corporation	24	33	9	31	34	35	1	37
British Columbia Ferry Corporation	38	62	24	49	16	24	8	(23)
BC Transportation Financing Authority	(39)	(9)	30	22	(56)	(20)	36	-
552513 British Columbia Ltd.[2]	-	-	-	83	-	-	-	84
Other	34	35	1	35	3	(9)	(12)	(6)
Less: Accounting adjustments[3]	(151)	(143)	8	(149)	(184)	(254)	(70)	(158)
Taxpayer-supported results before contributions to CRF	**(94)**	**(22)**	**72**	**71**	**(187)**	**(224)**	**(37)**	**(66)**
Less: Contributions paid to CRF	-	(2)	(2)	-	(19)	(19)	-	(17)
Taxpayer-supported net results	**(94)**	**(24)**	**70**	**71**	**(206)**	**(243)**	**(37)**	**(83)**
Self-supported commercial								
British Columbia Hydro & Power Authority	204	306	102	181	345	415	70	403
Less: Transfer (from) to RSA	-	-	-	-	5	(65)	(70)	(145)
BC Hydro net operating results	204	306	102	181	350	350	-	258
Liquor Distribution Branch	509	534	25	510	640	651	11	637
British Columbia Lottery Corporation	493	504	11	445	660	670	10	606
British Columbia Railway Company	14	(83)	(97)	(118)	14	(83)	(97)	(107)
Insurance Corporation of British Columbia	(10)	33	43	(258)	(10)	33	43	(251)
Other	5	14	9	2	5	12	7	-
Less: Accounting adjustments[4]	(95)	(56)	39	(86)	(184)	(94)	90	(207)
Self-supported commercial results before contributions to CRF	**1,120**	**1,252**	**132**	**676**	**1,475**	**1,539**	**64**	**936**
Less: Contributions paid to CRF	(861)	(899)	(38)	(838)	(1,401)	(1,477)	(76)	(1,420)
Self-supported commercial net results	**259**	**353**	**94**	**(162)**	**74**	**62**	**(12)**	**(484)**
Crown corporation and agency net results	**165**	**329**	**164**	**(91)**	**(132)**	**(181)**	**(49)**	**(567)**

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[1] Restated to be consistent with the presentation used for 2002/03. The change primarily reflects the inclusion of Forest Renewal BC's revenue and expenses as part of the CRF. The effect of the change is the elimination of FRBC's loss and the wind-up transfer to the CRF, resulting in a $71 million decrease to the net losses of taxpayer-supported Crown corporations ($435 million decrease for the full year).

[2] 2001/02 includes debt assistance of $220 million and a $67 million net write-down of 552513 British Columbia Ltd. as a result of the disposal of Skeena Cellulose Inc.

[3] Primarily reflects the amortization of the cost of highways transferred to the BC Transportation Financing Authority in 1998/99. The 2002/03 updated forecast includes an accounting adjustment for previous capital grants to BC Ferries.

[4] Primarily reflects adjustments to account for differences between the fiscal year ends of the government and BC Rail and ICBC, and transfers of BC Lotteries revenue to charities and local governments. The 2001/02 adjustment includes $85 million of restructuring costs incurred by BC Rail during the January - March 2002 period.

Table 4.10 Capital Spending

	Year-to-Date Actual to December 31				Full Year			
	2002/03				2002/03			
($ millions)	Budget [1]	Actual	Variance	Actual 2001/02	Budget	Updated Forecast	Variance	Actual 2001/02
Taxpayer-supported								
Education	326	255	(71)	255	466	386	(80)	360
Health [2]	95	84	(11)	121	273	134	(139)	169
BC Transportation Financing Authority	231	229	(2)	301	254	256	2	324
BC Ferries	70	37	(33)	31	103	66	(37)	57
Rapid Transit Project 2000 [2]	78	33	(45)	200	143	88	(55)	199
Government operating (ministries)	161	77	(84)	72	301	187	(114)	203
Other [3]	81	39	(42)	73	129	64	(65)	102
Total taxpayer-supported	**1,042**	**754**	**(288)**	**1,053**	**1,669**	**1,181**	**(488)**	**1,414**
Self-supported commercial								
BC Hydro	554	533	(21)	364	745	745	-	545
BC Rail	50	47	(3)	52	66	58	(8)	78
Columbia River power projects [4]	64	46	(18)	108	86	94	8	118
ICBC [5]	101	38	(63)	74	116	56	(60)	107
BC Lotteries	20	24	4	12	26	34	8	20
Liquor Distribution Branch	18	6	(12)	18	22	11	(11)	26
Total self-supported commercial	**807**	**694**	**(113)**	**628**	**1,061**	**998**	**(63)**	**894**
Total capital expenditures	**1,849**	**1,448**	**(401)**	**1,681**	**2,730**	**2,179**	**(551)**	**2,308**

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[1] Reflects nine-month allocations of the full-year budget based on planned activities and seasonal patterns.

[2] Net of spending by hospital districts for cost-shared projects and capital spending on behalf of, and recovered from, the Greater Vancouver Transportation Authority (*TransLink*).

[3] Includes BC Housing Management Commission, Provincial Rental Housing Corporation, BC Buildings Corporation, Ministry of Attorney General, Ministry of Public Safety and Solicitor General, Ministry of Children and Family Development and BC Transit.

[4] Columbia Power Corporation and Columbia Basin Trust.

[5] Includes ICBC Properties Ltd.

Table 4.11 Capital Expenditure Projects Greater Than $50 million[1]

Note: Information in bold type denotes changes from the second *Quarterly Report* released on November 28, 2002 .

($ millions)	Start Date	Forecast Completion Date	Cumulative Spending at Mar. 31, 2002[2]	Estimated Spending April 1 to Dec. 31	Estimated Cumulative Spending at = Dec. 31, 2002	Total Project Budget[3]	Total Project Forecast[3]
Advanced Education facilities							
UBC - Life Sciences Centre	Apr. 2002	Sept. 2004	-	13	13	110	110
Health facilities							
Vancouver General Hospital, Jim Pattison Pavilion	Sept. 2000	**Jan. 2007**[4]	36	16	52	156	156
Prince George Regional Hospital	Spring 2001	Mar. 2004	20	10	30	50	50
Fraser Valley Health Centre/Eastern Fraser Valley Cancer Clinic		**Project proceeding as public-private partnership. Government payments will be treated as operating costs, not capital spending.**					
Total health facilities			56	26	82	206	206
Transportation							
Vancouver Island Highway	1991	Dec. 2002	1,253	13	1,266	1,294	**1,271**
Trans Canada Highway - 5 Mile (Yoho) Bridge	May 1999	**Mar. 2006**	11	7	18	38[5]	**40**[5]
Nisga'a Highway	Aug. 1998	Fall 2005	18	8	26	52	52
SkyTrain extension - phase 1	Sept. 1998	**June 2003**	1,007	37	1,044	1,167	1,117
SkyTrain systems upgrades[6]	Oct. 1999	**Mar. 2003**	74	6	80	94	87
SkyTrain fleet expansion[6]	Oct. 1998	**June 2003**	65	-	65	68	68
Total transportation			2,428	71	2,499	2,713	2,635
Power generation							
BC Hydro							
- Burrard upgrade (including 6 selective catalytic reduction systems)[7]	June 1993	June 2003	177	10	187	222	195
- Georgia Strait pipeline crossing[8]	April 2000	**Oct. 2005**[9]	18	5	23	131	170
- Vancouver Island generation project	April 2000	**Nov. 2005**[9]	24	47	71	370[10]	370[10]
- Addition of fourth generating unit at Seven Mile Dam	Feb. 1995	Mar. 2003	41	31	72	97	93
- Seven Mile Dam safety improvements	June 1999	Mar. 2005	11	8	19	100	**84**
- Customer information system	**July 2001**	**Dec. 2003**	**7**	**23**	**30**	**63**	**63**
- Finance business transformation	**Jan. 1999**	**Apr. 2003**	**35**	**10**	**45**	**61**	**61**
Arrow Lakes Power Company[11]							
- Arrow Lakes generating station	Feb. 1999	Dec. 2002[12]	260	19	279	284	284
Total power generation			573	153	726	1,328	1,320
Other							
ICBC Properties Ltd.							
- Surrey Central City	Sept. 1999	Jan. 2003[13]	169	33	202	312	312
Seymour water filtration plant	**Dec. 2002**	**Mar. 2006**	**-**	**50**	**50**	**50**	**50**[14]
Total other			169	83	252	362	362

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[1] **Only projects that have been approved by Treasury Board are included in this table. Ministry service plans may include projects that still require final approval.**

[2] Total expenditures since commencement of each project.

[3] Represents sum of annual budgeted expenditures to complete each project.

[4] Individual components were completed starting in December 2000 and will continue to be completed before the end of the overall project.

[5] Amount represents the provincial portion of this cost-shared project with the federal government. Total project budget is $61 million.

[6] Funds for these projects are fully recovered from the Greater Vancouver Transportation Authority (*TransLink*).

[7] Selective Catalytic Reduction systems reduce emissions and are required to meet air quality standards for the Greater Vancouver Regional District.

[8] Project co-sponsored with a private sector company. Amounts shown represent BC Hydro's 50 per cent share of the costs; however, only partial funding has been approved to date.

[9] Completion dates have been changed to reflect delays in the regulatory approval process.

[10] In May 2002, a proposed private sector partnership to develop this project was terminated. Amounts now reflect BC Hydro's 100 per cent ownership.

[11] A joint venture of the Columbia Power Corporation and the Columbia Basin Trust.

[12] The facility is fully operational with only minor costs remaining. The project is considered to be complete.

[13] The base building is substantially complete; however, work to prepare space for new tenants will extend well beyond this date.

[14] Amount represents the provincial portion of this cost-shared project under the Canada/BC Infrastructure Program.

Table 4.12 Provincial Debt[1]

		Year-to-Date Actual to December 31, 2002				Updated Forecast as at March 31, 2003			
			Debt Outstanding				Debt Outstanding		
($ millions)	Balance March 31, 2002	YTD Net Change[2]	Actual	Budget[3]	Variance	Full-year Net Change[2]	Updated Forecast	Budget	Variance
Taxpayer-supported debt									
Provincial government operating	13,789	982	14,771	16,024	(1,253)	1,775	15,564	17,182	(1,618)
Education facilities									
Schools	4,092	145	4,237	4,307	(70)	216	4,308	4,375	(67)
Post-secondary institutions	1,425	36	1,461	1,581	(120)	80	1,505	1,637	(132)
	5,517	181	5,698	5,888	(190)	296	5,813	6,012	(199)
Health facilities	1,920	58	1,978	2,059	(81)	102	2,022	2,199	(177)
Highways, ferries and public transit									
BC Transportation Financing Authority	2,514	117	2,631	2,728	(97)	164	2,678	2,743	(65)
BC Ferries	19	(3)	16	36	(20)	(3)	16	72	(56)
BC Transit	79	8	87	89	(2)	-	79	94	(15)
Public transit	936	(2)	934	936	(2)	(5)	931	937	(6)
SkyTrain extension	1,044	47	1,091	1,149	(58)	83	1,127	1,214	(87)
Rapid Transit Project 2000	47	(43)	4	-	4	(47)	-	-	-
	4,639	124	4,763	4,938	(175)	192	4,831	5,060	(229)
Other									
BC Buildings	596	(132)	464	556	(92)	(135)	461	538	(77)
Social housing[4]	299	(91)	208	226	(18)	(129)	170	218	(48)
Homeowner Protection Office	113	10	123	132	(9)	17	130	139	(9)
Universities and colleges - fiscal agency loans	114	(6)	108	113	(5)	(3)	111	113	(2)
Other[5]	188	(33)	155	149	6	(9)	179	140	39
	1,310	(252)	1,058	1,176	(118)	(259)	1,051	1,148	(97)
Total taxpayer-supported debt	**27,175**	**1,093**	**28,268**	**30,085**	**(1,817)**	**2,106**	**29,281**	**31,601**	**(2,320)**
Self-supported debt									
Commercial Crown corporations and agencies									
BC Hydro	6,863	276	7,139	7,533	(394)	135	6,998	7,442	(444)
BC Rail	614	(30)	584	638	(54)	(128)	486	638	(152)
Columbia River power projects	120	(1)	119	285	(166)	(2)	118	285	(167)
Columbia Power Corporation	64	(33)	31	-	31	9	73	-	73
Liquor Distribution Branch	13	-	13	12	1	(1)	12	12	-
	7,674	212	7,886	8,468	(582)	13	7,687	8,377	(690)
Warehouse borrowing program	1,067	369	1,436	850	586	(1,067)	-	-	-
Total self-supported debt	**8,741**	**581**	**9,322**	**9,318**	**4**	**(1,054)**	**7,687**	**8,377**	**(690)**
Forecast allowance	-	-	-	-	-	**300**	**300**	**750**	**(450)**
Total provincial debt	**35,916**	**1,674**	**37,590**	**39,403**	**(1,813)**	**1,352**	**37,268**	**40,728**	**(3,460)**

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[1] Debt includes provincial government direct debt, fiscal agency loans, other debt that has been guaranteed by the provincial government, and certain other debt that is not provincially guaranteed

[2] Gross new long-term borrowing plus net change in short-term debt outstanding, less sinking fund contributions, sinking fund earnings and net maturities of long-term debt (after deduction of sinking fund balances for maturing issues).

[3] Reflects nine-month allocation of the full-year budget based on planned activities and seasonal patterns.

[4] Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation.

[5] Includes student assistance loan guarantees

Table 4.12 Provincial Debt[1]

		Year-to-Date Actual to December 31, 2002				Updated Forecast as at March 31, 2003			
	Balance March 31,	YTD Net	Debt Outstanding			Full-year Net	Debt Outstanding		
($ millions)	2002	Change[2]	Actual	Budget[3]	Variance	Change[2]	Updated Forecast	Budget	Variance
Taxpayer-supported debt									
Provincial government operating	13,789	982	14,771	16,024	(1,253)	1,775	15,564	17,182	(1,618)
Education facilities									
Schools	4,092	145	4,237	4,307	(70)	216	4,308	4,375	(67)
Post-secondary institutions	1,425	36	1,461	1,581	(120)	80	1,505	1,637	(132)
	5,517	181	5,698	5,888	(190)	296	5,813	6,012	(199)
Health facilities	1,920	58	1,978	2,059	(81)	102	2,022	2,199	(177)
Highways, ferries and public transit									
BC Transportation Financing Authority	2,514	117	2,631	2,728	(97)	164	2,678	2,743	(65)
BC Ferries	19	(3)	16	36	(20)	(3)	16	72	(56)
BC Transit	79	8	87	89	(2)	-	79	94	(15)
Public transit	936	(2)	934	936	(2)	(5)	931	937	(6)
SkyTrain extension	1,044	47	1,091	1,149	(58)	83	1,127	1,214	(87)
Rapid Transit Project 2000	47	(43)	4	-	4	(47)	-	-	-
	4,639	124	4,763	4,938	(175)	192	4,831	5,060	(229)
Other									
BC Buildings	596	(132)	464	556	(92)	(135)	461	538	(77)
Social housing[4]	299	(91)	208	226	(18)	(129)	170	218	(48)
Homeowner Protection Office	113	10	123	132	(9)	17	130	139	(9)
Universities and colleges - fiscal agency loans	114	(6)	108	113	(5)	(3)	111	113	(2)
Other[5]	188	(33)	155	149	6	(9)	179	140	39
	1,310	(252)	1,058	1,176	(118)	(259)	1,051	1,148	(97)
Total taxpayer-supported debt	**27,175**	**1,093**	**28,268**	**30,085**	**(1,817)**	**2,106**	**29,281**	**31,601**	**(2,320)**
Self-supported debt									
Commercial Crown corporations and agencies									
BC Hydro	6,863	276	7,139	7,533	(394)	135	6,998	7,442	(444)
BC Rail	614	(30)	584	638	(54)	(128)	486	638	(152)
Columbia River power projects	120	(1)	119	285	(166)	(2)	118	285	(167)
Columbia Power Corporation	64	(33)	31	-	31	9	73	-	73
Liquor Distribution Branch	13	-	13	12	1	(1)	12	12	-
	7,674	212	7,886	8,468	(582)	13	7,687	8,377	(690)
Warehouse borrowing program	1,067	369	1,436	850	586	(1,067)	-	-	-
Total self-supported debt	**8,741**	**581**	**9,322**	**9,318**	**4**	**(1,054)**	**7,687**	**8,377**	**(690)**
Forecast allowance	-	-	-	-	-	**300**	**300**	**750**	**(450)**
Total provincial debt	**35,916**	**1,674**	**37,590**	**39,403**	**(1,813)**	**1,352**	**37,268**	**40,728**	**(3,460)**

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[1] Debt includes provincial government direct debt, fiscal agency loans, other debt that has been guaranteed by the provincial government, and certain other debt that is not provincially guaranteed.

[2] Gross new long-term borrowing plus net change in short-term debt outstanding, less sinking fund contributions, sinking fund earnings and net maturities of long-term debt (after deduction of sinking fund balances for maturing issues).

[3] Reflects nine-month allocation of the full-year budget based on planned activities and seasonal patterns.

[4] Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation.

[5] Includes student assistance loan guarantees.

Table 4.13 Statement of Financial Position

		Year to Date		Updated Forecast	
($ millions)	Actual March 31 2002	Dec. 31 2002	Increase/ (Decrease) [1]	March 31 2003	Increase/ (Decrease) [1]
Financial Assets					
Cash and temporary investments	780	811	31	173	(607)
Other financial assets	4,342	3,497	(845)	4,236	(106)
Investments in commercial Crown corporations and agencies:					
Retained earnings of self-supported Crown corporations	*2,525*	*2,877*	*352*	*2,587*	*62*
Loans for purchases of assets recoverable from agencies	*7,552*	*7,766*	*214*	*7,571*	*19*
	10,077	10,643	566	10,158	81
Warehouse borrowing program assets	1,067	1,436	369	-	(1,067)
	16,266	**16,387**	**121**	**14,567**	**(1,699)**
Liabilities					
Current liabilities	4,044	3,743	(301)	4,777	733
Debt:					
Taxpayer-supported debt	*27,175*	*28,268*	*1,093*	*29,281*	*2,106*
Self-supported debt	*8,741*	*9,322*	*581*	*7,687*	*(1,054)*
Forecast allowance	-	-	-	*300*	*300*
Total provincial debt	*35,916*	*37,590*	*1,674*	*37,268*	*1,352*
Less : guarantees and non-guaranteed debt	*(464)*	*(433)*	*31*	*(426)*	*38*
	35,452	37,157	1,705	36,842	1,390
	39,496	**40,900**	**1,404**	**41,619**	**2,123**
Net Liabilities	**(23,230)**	**(24,513)**	**(1,283)**	**(27,052)**	**(3,822)**
Capital and Other Assets					
Prepaid capital advances	7,033	7,065	32	7,141	108
Tangible capital assets	11,206	11,123	(83)	11,098	(108)
Other assets	281	309	28	285	4
	18,520	**18,497**	**(23)**	**18,524**	**4**
Accumulated surplus (deficit)	**(4,710)**	**(6,016)**	**(1,306)**	**(8,528)**	**(3,818)**

[1] Change from March 31, 2002

Change in Financial Position

($ millions)	December 31 2002	March 31 2003
Change in accumulated (surplus) deficit:		
(Surplus) deficit for the period	1,288	3,800
Accounting policy equity adjustments	18	18
	1,306	**3,818**
Working capital changes:		
Increase (reduction) in cash and temporary investments	31	(607)
Increase (decrease) in guarantees and non-guaranteed debt	(31)	(38)
Other working capital changes	(516)	(835)
	(516)	**(1,480)**
Capital asset and investment changes:		
Increase in taxpayer-supported capital investments	*754*	*1,181*
Less: amortization and other accounting changes	*(805)*	*(1,181)*
	(51)	-
Increase in total investment in commercial Crown corporations	*1,046*	*1,060*
Less: loan repayments and other accounting changes	*(480)*	*(979)*
	566	81
Increase (decrease) in warehouse borrowing investments	369	(1,067)
	884	**(986)**
Increase (decrease) in total provincial debt	**1,674**	**1,352**

APPENDICES

A1: TAX EXPENDITURES

Introduction

Some government programs and benefits are delivered through the tax system.

A tax expenditure is the reduction in revenues from delivering government programs or benefits through the tax system rather than through voted budget appropriations. Tax expenditures are usually made by offering special tax rates, exemptions, or tax credits. Governments introduce tax expenditures primarily to achieve social policy objectives such as transfers to lower income families or to promote economic development and job creation.

Tax expenditure reporting allows greater public scrutiny.

Reporting tax expenditures improves government accountability by providing a more complete picture of government activities. The tax expenditure appendix outlines major tax expenditures for the 2002/03 fiscal year. It does not include tax expenditures introduced or expanded in *Budget 2003*. These are described in Part Two, Revenue Measures.

The Role of Tax Expenditure Programs

Using the tax system to deliver programs can reduce administration costs and compliance costs for recipients. In certain situations, the tax system allows intended beneficiaries to be readily identified from information that is already collected. In these cases setting up a separate expenditure program would result in costly overlap and duplication of effort. An example is the provincial sales tax credit, which is delivered through the income tax system. If this were a direct provincial expenditure program, a provincial agency or office would have to be established to duplicate much of the work already done by the Canada Customs and Revenue Agency. In addition, it would require individuals to undertake a separate, time-consuming application process in order to qualify for the benefit.

There are, however, several potential drawbacks to tax expenditure programs. First, their overall cost often receives less public scrutiny than is the case for spending programs because annual budget appropriations by the legislature are not typically required. Second, tax expenditure programs do not always effectively target those who are intended to benefit from them. Some expenditure programs that are intended to provide tax relief for low income earners may, in reality, confer the greatest benefit on high income earners who pay the most taxes. Sales tax exemptions, for example, often provide a greater absolute benefit to those with higher incomes because they have more to spend on consumer products. Finally, costs are often more difficult to control under a tax expenditure program because the benefits tend to be more open ended and enforcement is often more difficult than for spending programs.

Tax Expenditure Reporting

Not all tax reductions, credits and exemptions are classed as tax expenditures. Three criteria were used to choose those features of the tax system that should be reported as tax expenditures.

Tax expenditures are close equivalents to direct government spending.

First, the emphasis is on tax reductions, exemptions and refunds that are close equivalents to spending programs. By implication, the list does not include tax measures designed to meet broad tax policy objectives such as improving fairness in the tax system, or measures designed to simplify the administration of the tax. The list also does not include items that are generally excluded from a particular tax base. For example, most services are excluded from provincial sales taxes, which are primarily designed to apply to purchases of goods.

Second, revenues raised under provincial government authority that are turned over to agencies outside of government are not reported as tax expenditures in this appendix. This includes, for example, the hotel room tax revenues transferred to Tourism BC.

Third, smaller items of less than $2 million are not included. Where practical, smaller items have been presented together as an aggregate figure.

British Columbia Tax Expenditure Programs

The following tables report 2002/03 tax expenditure estimates.

Tax expenditure programs are categorized by program objective.

For presentation purposes, British Columbia tax expenditures have been broken into three broad categories:

- *Social and Income Transfer Programs (Table A1.1)* These include tax expenditures that are offered as part of government's mix of health, education, housing, income transfer and family related programs. Examples include the BC Family Bonus, the home owner grant, the sales tax exemption for children's clothing and the income tax credit for medical expenses.
- *Economic Development and Business Assistance Programs (Table A1.2)* This category includes tax preferences for small businesses and measures to encourage new private sector investment.
- *Environmental Protection Programs (Table A1.3)* There are relatively few tax expenditures in this category because environmental protection is now generally based on the principle of "polluter pay", such as the tire tax and battery levies. However, environmental tax expenditures include, for example, a sales tax exemption for bicycles and a fuel tax exemption for certain alternative fuels.

Each category has its own table of tax expenditure estimates. Within each table, the list of tax expenditures delivered through the income tax system has been separated into two sub-categories:

- *Provincial Measures*: This includes all major tax expenditures that are under provincial policy control.
- *Federal Measures*: British Columbia shares the cost of some federal income tax expenditure programs because, under the tax collection agreement between British Columbia and the federal government, the province has agreed to maintain a consistent income tax base with the federal government in the interest of reducing administrative and compliance costs.

Some of Canada's tax expenditures become provincial tax expenditures

The cost of individual tax expenditures cannot be added together to reach a total tax expenditure figure for two reasons:

- in some cases the programs interact with one another so that eliminating one program could increase or decrease the cost of another; and
- eliminating certain tax expenditure programs could change the choices taxpayers make, which in turn would affect the cost estimates.

The estimates for each tax expenditure are based on a static analysis of the costs and do not take into account any behavioural changes which could change the cost over time.

TABLE A11 — SOCIAL AND INCOME TRANSFER PROGRAMS — TAX EXPENDITURES

		[illegible] Estimated Cost ($ millions)
PROVINCIAL SALES TAX		
Exemptions for the following items:		
○ Food (basic groceries, snack foods, candies, soft drinks and restaurant meals)		[illegible]
○ Residential fuels (electricity, natural gas, fuel oil, etc.)		[illegible]
○ Prescription and non-prescription drugs, vitamins and certain other health care products and appliances		[illegible]
○ Children's clothing and footwear		[illegible]
○ Clothing patterns, fabrics and notions		[illegible]
○ Specified school supplies		[illegible]
○ Books, magazines and newspapers		[illegible]
○ Basic telephone and cable service		[illegible]
○ 1-800 and equivalent telephone services		[illegible]
○ Specified safety equipment		[illegible]
○ Labour to repair major household appliances, clothing and footwear		[illegible]
○ Miscellaneous consumer exemptions (e.g., used clothing under $100)		[illegible]
○ Livestock for human consumption and feed, seed and fertilizer		[illegible]
PERSONAL INCOME TAX		
Provincial Measures		
BC Family Bonus		[illegible]
Sales tax credit		[illegible]
Political contributions tax credit		[illegible]
Provincial Non-Refundable Credits		
○ Charitable donations tax credit		[illegible]
○ Tax credits for tuition and education		[illegible]
○ Tax credits for disabilities and medical expenses		[illegible]
○ Pension income tax credit		[illegible]
○ Credit for persons older than 65 years		[illegible]
○ Married and equivalent-to-married credits		[illegible]
○ Tax credit for Canada Pension Plan contributions		[illegible]
○ Tax credit for Employment Insurance premiums paid		[illegible]
Federal Measures		
○ Deduction and inclusion of alimony and child support payments		[illegible]
○ Child care expense deduction		[illegible]
○ Exemption from capital gains up to $500,000 for small businesses and family farms		[illegible]
○ Deduction for residents of northern and isolated areas		[illegible]
○ Non-taxation of employer-paid insurance premiums for group private health and welfare plans		[illegible]
○ Registered Retirement Savings Plans		
○ exemption for — contributions	[illegible]	
— investment earnings	[illegible]	
○ taxation of — withdrawals	[illegible]	
Total		[illegible]
○ Registered Pension Plans		
○ exemption for — contributions	[illegible]	
— investment earnings	[illegible]	
○ taxation of — withdrawals	[illegible]	
Total		[illegible]

TABLE A1.1 — SOCIAL AND INCOME TRANSFER PROGRAMS — TAX EXPENDITURES

(Continued)	2005/06 Estimated Cost ($ millions)
CORPORATION INCOME TAX	
Charitable donations deduction	[illegible]
SCHOOL AND RURAL AREA PROPERTY TAXATION	
Home owner grant	[illegible]
Exemption for places of worship	[illegible]
PROPERTY TRANSFER TAX	
Exemption for first-time home buyers	[illegible]
Exemptions for the following:	
○ Property transfers between related individuals	[illegible]
○ Property transfers to municipalities, regional districts, hospital districts, library boards, school boards, water districts and educational institutions	[illegible]
○ Property transfers to charities registered under the Income Tax Act (Canada)	[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Table A1.2 — Economic Development and Business Assistance Programs — Tax Expenditure

	2002/03 Estimated Cost ($ millions)
FUEL TAX	
Tax exemption for international flights carrying cargo	2
Tax exemption for family farm trucks (on road)	2
Tax reduction for compressor fuel used to transmit natural gas from wellhead to processing plant	13
PERSONAL INCOME TAX	
Venture capital tax credit	5
Employee venture capital tax credit	7
CORPORATION INCOME TAX	
Provincial Measures	
Film and video tax credit	25
Production services tax credit	40
International financial business tax refund [1]	7
Scientific Research and Experimental Development Tax Credit	74
Mining Exploration Tax Credit	3
SCHOOL AND RURAL AREA PROPERTY TAXATION [2]	
Assessment exemption of $10,000 for industrial and business properties	9
Overnight tourist accommodation assessment relief	5
Exemption for property used for pollution abatement [3]	6

[1] Includes employee income tax refunds.

[2] Estimates are for the 2002 calendar year and include only school and rural area property taxes levied by the province.

[3] The property tax exemption for most land and improvements used in pollution abatement equipment was removed for 1997, but existing properties which were exempt in 1996 remain exempt under grandparenting provisions.

Table A1.3 — Environmental Protection Programs — Tax Expenditure

	2002/03 Estimated Cost ($ millions)
PROVINCIAL SALES TAX	
Exemptions for the following items:	
• Bicycles	6
• Specified energy conservation equipment	12
FUEL TAX	
Tax exemption for alternative fuels	15

Table A2 Interprovincial Comparisons of Tax Rates - 2003 (Rates known as of February 3, 2003)[1]

Tax	British Columbia[2]	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland
Corporation income tax (per cent of taxable income)[3]										
General Rate	13.5	13.0	17	16	12.5	9.04/16.25	13	16	16	14
Manufacturing Rate	13.5	13.0	10	16	11	9.04	13	16	7.5	5
Small Business Rate	4.5	4.5	6	5	5.5	9.04	3	5	7.5	5
Small Business Threshold ($000s)	300	300	300	300	320	n/a	400	200	200	200
Corporation Capital Tax[4]										
Non-financial	Nil	Nil	0.6	0.3-0.5	0.3	0.64	0.3	.25/.5	Nil	Nil
Financial	1.0/3.0	Nil	0.7/3.25	3.0	0.6-0.72/.9	1.28	3.0	3.0	3.0	4.0
Health Care Premiums[5]										
Individual/family	54/108	44/88	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Payroll tax[6] (per cent)	Nil	Nil	Nil	2.15	1.95	4.26	Nil	Nil	Nil	2.0
Insurance premium tax (per cent)[7]	2-4.4	2-3	3-4	2-3	2-3.5	2-3	2-3	3-4	3.5	4
Fuel tax (cents per litre)										
Gasoline[8]	14.5	9.0	15.0	11.5	14.7	19.2	14.5	15.5	14.0	16.5
Diesel	15.0	9.0	15.0	10.9	14.3	20.2	16.9	15.4	13.5	16.5
Sales tax (per cent)										
General rate	7.5	Nil	6	7	8	7.5	8	8	10	8
Liquor	10	Nil	10	7	12	7.5	8	8	37.5	8
Meals	Nil	Nil	Nil	7	8	7.5	8	8	10	8
Accommodation	8	5	6	7	5	7.5	8	8	10	8
Tobacco tax (dollars per carton of 200 cigarettes)[9]	32.00	32.00	35.80	33.20	17.20	18.10	29.00	25.20	22.90	31.70

[1] Rates shown are those known as of February 3, 2003 and that are in effect for 2003.

[2] British Columbia rates are those announced in the February 18, 2003 Budget.

[3] Alberta has announced plans to change its rates on April 1, 2003 as follows: reduce the general and manufacturing rates to 12.5 per cent, reduce the small business rate to 4 per cent, and increase the small business threshold to $400,000. Alberta, Manitoba and Ontario have announced plans for corporate income tax rate or small business threshold changes in 2004 and future years. Quebec's rate on investment income is 16.25 per cent. Other Quebec rates include a "youth fund" tax of 1.8 per cent that is scheduled to end March 15, 2003, at which time the rates will be 8.9 per cent.

[4] Ontario has a deduction of $5 million for all corporations. Manitoba has a $5 million exemption level and the higher rate applies to corporations with taxable capital in excess of $10 million. Saskatchewan has a $10 million deduction. Large Saskatchewan resource corporations are assessed a surcharge on the value of Saskatchewan resource sales. Ontario and Quebec have an additional surcharge or compensation tax on financial institutions. Quebec has announced that its capital taxes will be reduced by approximately 50 per cent by 2007.

[5] British Columbia has a two-person rate of $96. British Columbia and Alberta offer premium assistance in the form of lower rates or an exemption from premiums for lower income individuals and families.

[6] Provinces with payroll taxes provide payroll tax relief for small businesses.

[7] The lower rate applies to premiums for life, sickness and accident insurance; the higher rate applies to premiums for property insurance including automobile insurance. In Ontario, Quebec and Newfoundland specific sales taxes also apply to insurance premiums, except those related to individual life and health.

[8] Tax rate is for regular fuel used on highways. The British Columbia rate includes 3.75 cents per litre dedicated to the BC Transportation Financing Authority. The rates do not include regional taxes. The Quebec rate includes estimated sales tax.

[9] Includes estimated provincial sales tax where applicable.

Table A3 - Comparison of Provincial and Federal Taxes by Province - 2003

Tax	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	Newfoundland
Two Income Family of Four - $90,000	($)									
1. Provincial Income Tax	4,301	5,061	6,491	7,311	4,312	8,482	6,969	7,404	7,014	7,969
Net Child Benefits	0	0	0	–	0	0	0	0	–	0
2. Property Tax - Gross	2,324	2,236	3,663	4,291	3,261	2,659	3,214	2,261	1,165	1,506
- Net	1,854	2,236	3,663	3,891	3,261	2,659	3,214	2,261	1,165	1,506
3. Sales Tax	1,185	13	994	1,212	1,588	1,866	1,731	1,713	1,801	1,690
4. Fuel Tax	218	135	225	173	221	294	218	233	210	248
5. Provincial Direct Taxes	7,558	7,445	11,373	12,587	9,382	13,301	12,132	11,611	10,190	11,413
6. Health Care Premiums/Payroll Tax	1,296	1,056	–	1,935	1,755	3,834	–	–	–	1,800
7. Total Provincial Tax	8,854	8,501	11,373	14,522	11,137	17,135	12,132	11,611	10,190	13,213
8. Federal Income Tax	11,056	11,056	11,056	11,056	11,056	11,056	11,056	11,056	11,056	11,056
9. Net Federal GST	1,603	1,658	1,581	1,535	1,636	1,568	1,515	1,499	1,626	1,478
10. Total Tax	21,513	21,215	24,010	27,113	23,829	29,759	24,703	24,166	22,872	25,747
Two Income Family of Four - $60,000										
1. Provincial Income Tax	2,300	2,500	3,449	3,764	2,335	3,431	3,769	4,040	3,886	4,332
Net Child Benefits	0	121	0	–	0	0	0	0	–	0
2. Property Tax - Gross	1,958	1,950	2,366	3,485	2,246	2,422	1,377	2,077	2,914	1,300
- Net	1,488	1,950	2,366	3,085	2,246	2,422	1,377	2,077	2,914	1,300
3. Sales Tax	919	11	791	974	1,243	1,559	1,379	1,367	1,431	1,355
4. Fuel Tax	218	135	225	173	221	294	218	233	210	248
5. Provincial Direct Taxes	4,925	4,717	6,831	7,996	6,045	7,706	6,743	7,717	8,441	7,235
6. Health Care Premiums/Payroll Tax	1,296	1,056	–	1,290	1,170	2,556	–	–	–	1,200
7. Total Provincial Tax	6,221	5,773	6,831	9,286	7,215	10,262	6,743	7,717	8,441	8,435
8. Federal Income Tax	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116
9. Net Federal GST	1,244	1,352	1,258	1,233	1,281	1,310	1,207	1,196	1,292	1,185
10. Total Tax	13,581	13,241	14,205	16,635	14,612	17,688	14,066	15,029	15,849	15,736
Two Income Family of Four - $30,000										
1. Provincial Income Tax	640	14	681	429	491	-289	1,131	1,012	1,010	1,308
Net Child Benefits	-336	-721	0	–	-383	-160	-52	0	–	0
2. Property Tax - Gross	1,958	1,950	2,366	3,485	2,246	2,422	1,377	2,077	2,914	1,300
- Net	1,488	1,950	2,366	3,085	2,246	2,422	1,377	2,077	2,914	1,300
3. Sales Tax	650	9	561	704	872	1,158	969	972	1,012	959
4. Fuel Tax	145	90	150	115	147	196	145	155	140	165
5. Provincial Direct Taxes	2,587	1,342	3,758	4,333	3,373	3,327	3,570	4,216	5,076	3,732
6. Health Care Premiums/Payroll Tax	518	263	–	645	585	1,278	–	–	–	600
7. Total Provincial Tax	3,105	1,605	3,758	4,978	3,958	4,605	3,570	4,216	5,076	4,332
8. Federal Income Tax	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869	1,869
9. Net Federal GST	397	590	411	410	416	492	366	368	432	357
10. Total Tax	5,371	4,064	6,038	7,257	6,243	6,966	5,805	6,453	7,377	6,558
Unattached Individual - $25,000										
1. Provincial Income Tax	832	854	1,547	1,134	862	1,205	1,385	1,449	1,436	1,549
2. Property Tax	–	–	–	–	–	–	–	–	–	–
3. Sales Tax	385	4	344	445	553	715	639	636	695	631
4. Fuel Tax	145	90	150	115	147	196	145	155	140	165
5. Provincial Direct Taxes	1,362	948	2,041	1,694	1,562	2,116	2,169	2,240	2,271	2,345
6. Health Care Premiums/Payroll Tax	518	528	–	538	488	1,065	–	–	–	500
7. Total Provincial Tax	1,880	1,476	2,041	2,232	2,050	3,181	2,169	2,240	2,271	2,845
8. Federal Income Tax	2,289	2,289	2,289	2,289	2,289	2,289	2,289	2,289	2,289	2,289
9. Net Federal GST	269	292	266	274	282	300	251	248	290	244
10. Total Tax	4,438	4,057	4,596	4,795	4,621	5,770	4,709	4,777	4,850	5,378

⇨

Table A3 - Comparison of Provincial and Federal Taxes by Province - 2003 - Continued

Tax	British Columbia	Alberta	Saskat- chewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	New- foundland
Unattached Individual - $80,000						($)				
1. Provincial Income Tax	5,387	5,756	7,713	8,860	5,792	11,148	8,423	8,773	8,622	9,685
2. Property Tax - Gross	1,589	1,901	1,871	4,066	2,203	2,351	977	1,770	1,300	1,300
- Net	1,119	1,901	1,871	3,666	2,203	2,351	977	1,770	1,300	1,300
3. Sales Tax	1,010	11	869	1,060	1,411	1,594	1,570	1,554	1,704	1,511
4. Fuel Tax	218	135	225	173	221	294	218	233	210	248
5. Provincial Direct Taxes	7,734	7,803	10,678	13,759	9,627	15,387	11,188	12,330	11,836	12,744
6. Health Care Premiums/Payroll Tax	648	528	--	1,720	1,560	3,408	--	--	--	1,600
7. Total Provincial Tax	8,382	8,331	10,678	15,479	11,187	18,795	11,188	12,330	11,836	14,344
8. Federal Income Tax	12,996	12,996	12,996	12,996	12,996	12,996	12,996	12,996	12,996	12,996
9. Net Federal GST	1,514	1,568	1,450	1,388	1,505	1,356	1,374	1,359	1,467	1,322
10. Total Tax	22,892	22,895	25,124	29,863	25,688	33,147	25,558	26,685	26,299	28,662
Senior Couple with Equal Pension Incomes - $30,000										
1. Provincial Income Tax	238	0	280	-375	-320	28	476	633	549	657
2. Property Tax - Gross	1,958	1,950	2,366	3,485	2,246	2,422	1,377	2,077	2,914	1,300
- Net	1,213	1,950	2,366	3,085	2,246	2,422	1,377	2,077	2,914	1,300
3. Sales Tax	728	8	611	767	962	1,328	1,159	1,195	1,264	1,228
4. Fuel Tax	145	90	150	115	147	196	145	155	140	165
5. Provincial Direct Taxes	2,324	2,048	3,407	3,592	3,035	3,974	3,157	4,060	4,867	3,350
6. Health Care Premiums/Payroll Tax	691	1,056	--	--	--	--	--	--	--	--
7. Total Provincial Tax	3,015	3,104	3,407	3,592	3,035	3,974	3,157	4,060	4,867	3,350
8. Federal Income Tax	786	786	786	786	786	786	786	786	786	786
9. Net Federal GST	861	887	823	829	845	913	796	827	954	856
10. Total Tax	4,662	4,777	5,016	5,207	4,666	5,673	4,739	5,673	6,607	4,992

Personal Income Tax

- Income tax is based on basic personal credits, applicable provincial credits, and typical major deductions at each income level. Quebec residents pay federal income tax less an abatement of 16.5 per cent of basic federal tax. This abatement has been used to reduce Quebec provincial tax rather than federal tax, for comparative purposes. The two income family of four with $60,000 annual income is assumed to have one spouse earning $40,000 and the other $20,000, the family with $90,000 income is assumed to have one spouse earning $50,000 and the other $40,000,the family with $30,000 is assumed to have each spouse earning $15,000 and each senior is assumed to receive $15,000. All representative families are assumed to have employment income except the senior couple. Contributions to the Quebec Health Services Fund are included in Quebec personal income tax.

Net Child Benefits

- Net child benefits are provincial measures affecting payments to families with children. Provincial child benefit measures are available in British Columbia (BC Family Bonus), Alberta (Family Employment Credit), Saskatchewan (Child Benefit), Ontario (Child Care Supplement for Working Families), Quebec (Integrated Child Allowance), New Brunswick (Child Tax Benefit), Nova Scotia (Child Benefit) and Newfoundland (Child Benefit). In addition, the Alberta government has chosen to vary the amount of the basic federal child tax benefit that its residents receive (shown as a net amount).

Property Tax

- Estimates of property taxes are from a survey of Royal LePage's on-line listings of residential properties for sale conducted in 2003. It is assumed that the individual at $25,000 rents accommodation; the family at $30,000 and at $55,000 and the senior couple own bungalows; the family at $90,000 owns a two-storey executive style home; and the single at $80,000 owns a luxury condominium, in a major city for each province. Net property taxes are estimated as taxes owing after credits provided through the property tax system are subtracted.

Sales and Fuel Tax Estimates

- Includes sales tax on meals, liquor and accommodation. Estimates are based on expenditure patterns from the Survey of Household Spending in 2001. In estimating individual and family taxable consumption, disposable income is reduced by 20 per cent to reflect housing (mortgage and property taxes or rent) costs. The senior couple is assumed to own their home and have no mortgage costs. For each province, disposable income is further reduced by estimated federal income taxes, estimated provincial income taxes and health care premiums if applicable. In addition, the single individual with $80,000 annual income and the family with $90,000 annual income are assumed to have savings equal to 5 per cent of their disposable income. For each family, disposable income is distributed among expenditures using the consumption pattern of a typical family with the relevant characteristics as estimated by the family expenditure survey. The provincial retail sales tax and the federal goods and services tax (GST) components of these expenditures are then calculated. GST estimates have been reduced by the GST credit, where applicable.
- Fuel tax is based on annual consumption: 1,000 litres of unleaded fuel for the single at $25,000, the family at $30,000 and the senior couple; others are assumed to consume 1,500 litres.

Health Care Premiums/Payroll Tax

- Health care premiums are levied in British Columbia and Alberta only. Approximately 50 per cent of British Columbia premiums are paid by employers on behalf of their employees with the remainder paid by individuals, either by employees or by residents who are not employed. Payroll taxes, in the four provinces that levy them, are paid by the employer. The cost to employers of payroll taxes and health care premiums paid on behalf of employees is generally reflected in reduced wages.

Effective Tax Rates

- British Columbia taxes have been calculated using rates in effect for 2003. Taxes for other provinces were calculated using rates that were announced prior to February 3, 2003, and that come into effect during 2003.

Table A4 Interprovincial Comparisons of Provincial Personal Income Taxes Payable[1] - 2003 (Rates known as of February 3, 2003)

Taxable income[2]	British Columbia[2]	Alberta	Saskat-chewan	Manitoba	Ontario	Quebec[3]	New Brunswick	Nova Scotia	Prince Edward Island	New-foundland
	Annual provincial taxes payable[4] ($)									
$10,000	70	0	162	75	0	5	166	0	0	218
$20,000	633	524	1,184	1,188	662	1,046	1,066	1,077	1,112	1,200
$30,000	1,195	1,453	2,206	2,226	1,225	2,604	1,965	2,056	2,023	2,205
$40,000	2,018	2,386	3,332	3,621	2,023	4,412	3,270	3,485	3,307	3,750
$50,000	2,933	3,386	4,632	5,111	2,938	6,140	4,752	4,980	4,687	5,366
$60,000	3,848	4,386	5,932	6,601	3,874	8,089	6,234	6,489	6,154	6,997
$70,000	4,933	5,386	7,232	8,216	5,148	10,169	7,811	8,156	7,942	8,958
$80,000	6,250	6,386	8,532	9,956	6,889	12,220	9,463	9,823	9,779	10,922
$100,000	9,107	8,386	11,132	13,436	10,371	16,322	12,767	13,473	13,453	14,851
$125,000	12,782	10,886	14,882	17,786	14,723	21,349	17,166	18,057	18,046	19,761
$150,000	16,457	13,386	18,632	22,136	19,076	26,152	21,626	22,641	22,638	24,672
	Provincial personal income taxes as a per cent of taxable income (%)									
$10,000	0.7	0.0	1.6	0.8	0.0	0.1	1.7	0.0	0.0	2.2
$20,000	3.2	2.6	5.9	5.9	3.3	5.2	5.3	5.4	5.6	6.0
$30,000	4.0	4.8	7.4	7.4	4.1	8.7	6.6	6.9	6.7	7.4
$40,000	5.0	6.0	8.3	9.1	5.1	11.0	8.2	8.7	8.3	9.4
$50,000	5.9	6.8	9.3	10.2	5.9	12.3	9.5	10.0	9.4	10.7
$60,000	6.4	7.3	9.9	11.0	6.5	13.5	10.4	10.8	10.3	11.7
$70,000	7.0	7.7	10.3	11.7	7.4	14.5	11.2	11.7	11.3	12.8
$80,000	7.8	8.0	10.7	12.4	8.6	15.3	11.8	12.3	12.2	13.7
$100,000	9.1	8.4	11.1	13.4	10.4	16.3	12.8	13.5	13.5	14.9
$125,000	10.2	8.7	11.9	14.2	11.8	17.1	13.7	14.4	14.4	15.8
$150,000	11.0	8.9	12.4	14.8	12.7	17.4	14.4	15.1	15.1	16.4

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[1] Calculated for a single individual with wage income and claiming credits for Canada Pension Plan and Quebec Pension Plan contributions, Employment Insurance premiums and the basic personal amount. Quebec personal income tax is calculated using the simplified tax system which provides a minimum level of non-refundable credits that is greater than the basic personal credit amount.

[2] Taxable income, total income less allowable deductions, is defined by federal legislation in all provinces except Quebec. In the table, it is assumed that federally defined taxable income is equal to Quebec taxable income.

[3] Quebec residents pay federal tax less an abatement of 16.5 per cent of federal tax. In the table, the Quebec abatement has been used to reduce Quebec provincial personal income tax for comparative purposes.

[4] Includes provincial low income reductions in Manitoba, Ontario, Nova Scotia and Prince Edward Island, provincial surtaxes payable in Ontario, Nova Scotia, Prince Edward Island and Newfoundland and contributions to the Health Services Fund in Quebec. Excludes credits for sales and property taxes.

Table A5 Summary of July 30, 2001 Update, Budget 2002 and Budget 2003 Revenue Measures[1]

	Taxpayer Impacts ($ millions)			
July 30, 2001 Economic and Fiscal Update	2001/02	2002/03	2003/04	2004/05
Income Tax				
• 25 per cent personal income tax cut	-1,150	-1,505	-1,505	-1,505
• Dividend tax credit rates reduced	20	40	40	40
• General corporate income tax rate reduced to 13.5% from 16.5%	-16	-200	-200	-200
• Manufacturing and processing tax credit repealed	20	30	30	30
Corporation Capital Tax				
• Tax phased-out for general corporations	-101	-273	-345	-345
Social Service Tax				
• Tax exemption for production machinery equipment	-107	-160	-160	-160
• Vehicle surtax threshold for passenger vehicles increased	-27	-40	-40	-40
Motor Fuel Tax				
• Tax exemption provided for marine bunker fuel	-7	-10	-10	-10
• Domestic jet fuel and aviation fuel tax rates reduced to 2 cents/litre	-10	-15	-15	-15
Total July 30, 2001 Update	-1,378	-2,133	-2,205	-2,205
Budget 2002				
Income Tax				
• Increase sales tax credit	-5	-20	-20	-20
• Adjust BC Family Bonus	-	8	19	19
• Raise small business threshold to $300,000	-	-10	-13	-13
Medical Services Plan Premiums				
• Increase premiums and enhance premium assistance	-	358	392	392
Social Service Tax				
• Increase provincial sales tax rate to 7.5% from 7%	27	250	250	250
• Expand machinery and equipment tax exemption to repair parts	-2	-15	-15	-15
Tobacco Tax				
• Increase tobacco tax rate to $30 from $22 per carton	16	150	150	150
School and Rural Area Property Taxes				
• Increase average gross residential rural and school property taxes by 2%	-	21	21	21
Miscellaneous measures				
• Disability credits; sales tax exemptions for farmers and refunds to Parent Advisory Councils	-1	-6	-6	-6
Total Budget 2002	35	736	778	778

Table A5 Summary of July 30, 2001 Update, Budget 2002 and Budget 2003 Revenue Measures[1] **-** *Cont.*

	Taxpayer Impacts ($ millions)			
Budget 2003	2001/02	2002/03	2003/04	2004/05
Income Tax				
• Increase budget for labour sponsored venture capital tax credits	-	-	-4	-4
• Introduce an equity tax credit for new media	-	-	-5	-5
• Provide an enhanced regional incentive for film credits	-	-	-1	-1
• Introduce a Digital Animation or Visual Effects tax credit	-	-	-5	-5
• Extend the Mining Flow-Through Share Tax Credit	-	-	-3	-3
• Extend the BC Mining Exploration Tax Credit for three years	-	-	-2	-3
• Introduce a book publishing tax credit	-	-	-2	-2
Corporation Capital Tax				
• Increase the capital tax exemption threshold for small financial institutions to $10 million from $5 million	-	-	-2	-2
Motor Fuel Tax				
• Provide exemption for marine gas oil used in gas turbine powered commercial vessels	-	-	-2	-2
BC Transportation Financing Authority Revenue				
• Increase the clear fuel tax rate levied on behalf of BC Transportation Financing Authority by 3.5 cents per litre	-	-	211	211
Tobacco Tax				
• Increase the tobacco tax rate to $32 from $30 per carton of 200 cigarettes and to 16 cents from 15 cents per gram of fine-cut tobacco	-	-	25	25
School and Rural Area Property Taxes				
• Increase average gross residential rural and school property taxes by inflation	-	-	35	64
Insurance Premium Tax				
• Increase tax on property insurance to 4.4 per cent from 4 per cent to offset forest fire suppression costs	-	-	4	14
• Clarify the definition of taxable insurers	-	-	5	5
Property Transfer Tax				
• Enhance fairness and effectiveness of First Time Home Buyers' exemption	-	-	-2	-2
Total Budget 2003	-	-	252	290
Total July 30, 2001 Update, Budget 2002 and Budget 2003	-1,343	-1,397	-1,175	-1,137

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[1] Amounts for each measure are as shown at the time of announcement before the impact of economic growth. Measures with no material revenue impact are excluded.

Table A6 Operating Results [1] - 1999/00 to 2005/06

($ millions)	Actual 1999/00	Actual 2000/01	Actual 2001/02	Updated Forecast 2002/03	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Taxpayer-supported programs and agencies:							
Revenue	23,285	26,123	24,614	23,258	24,619	25,616	26,206
Expense	(24,557)	(26,370)	(28,396)	(28,475)	(27,800)	(27,235)	(27,570)
Taxpayer-supported balance	**(1,272)**	**(247)**	**(3,782)**	**(5,217)**	**(3,181)**	**(1,619)**	**(1,364)**
Commercial Crown corporation net income	1,295	1,725	1,085	1,717	1,381	1,669	1,739
(Deficit) surplus before joint trusteeship and forecast allowance	**23**	**1,478**	**(2,697)**	**(3,500)**	**(1,800)**	**50**	**375**
Joint trusteeship	-	(52)	1,464	-	-	-	-
Forecast allowance	-	-	-	(300)	(500)	-	-
(Deficit) surplus	**23**	**1,426**	**(1,233)**	**(3,800)**	**(2,300)**	**50**	**375**

[1] Figures have been restated to conform with the presentation used in 2003/04

Table A7 Three-Year Fiscal Plan Update - Changes from *Budget 2002*

($ millions)	2002/03	2003/04	2004/05
***Budget 2002* Fiscal Plan**	(4,400)	(1,800)	-
Revenue changes:			
Personal income tax	(638)	(425)	(460)
Corporation income tax	(134)	(28)	(125)
Other tax revenues	153	102	118
Revenue measures announced in *Budget 2003*	29	252	297
Energy revenues	76	366	182
Forests revenues	67	(176)	(92)
Canada health and social transfer	(156)	(167)	(151)
Equalization entitlements	668	675	700
BC Hydro net income (before RSA transfer)	-	(470)	(160)
ICBC net income	43	23	(15)
BC Ferries non-tax income	6	(421)	(433)
All other revenue changes	84	332	346
Total revenue changes	198	63	207
CRF expense changes:			
Children and Family Development - school-based programs, autism spectrum disorder, and other programs	-	(59)	(70)
Community, Aboriginal and Women's Services - Olympic venues and venues legacy funding	-	(37)	(21)
Competition, Science and Enterprise - Vancouver Convention Centre expansion funding	-	(67)	(62)
Education - base funding increase	-	-	(83)
Forests - mainly BC Timber Sales program and First Nations' participation	-	(36)	(60)
Human Resources - employment assistance caseload savings redirected to other priorities	153	19	22
Public Safety and Solicitor General - commercial vehicle safety and enforcement programs transferred from ICBC	-	(27)	(27)
Transportation - mainly service contract payments to BC Ferry Services	-	(112)	(112)
Management of Public Funds and Debt - lower debt level and interest rates	190	159	140
Other Appropriations - mainly advancement of seismic mitigation contributions	-	40	-
Other - Estimates restatements and other minor adjustments	90	21	(1)
Forestry restructuring provision	(275)	-	-
CRF expense changes	158	(99)	(274)
Adjustment changes:			
Grants to agencies and other internal transfers	(24)	(317)	(1,198)
Expenses recovered from external entities	(27)	(274)	(348)
Taxpayer-supported Crown corporation and agency expense changes:			
BC Buildings	(39)	(81)	(80)
BC Ferries - devolution	(75)	473	490
BC Transportation Financing Authority - updated forecasts	34	(81)	(80)
Ministry of Children and Family Development governance authorities	3	283	1,143
Other agencies	(78)	33	90
Taxpayer-supported agency and adjustment changes	(206)	36	17
Total expense changes	(48)	(63)	(257)
Net changes before expanded entity and forecast allowance	150	-	(50)
Expanded entity	-	-	100
Forecast allowance	450	(500)	-
Total changes	600	(500)	50
***Budget 2003* Updated Fiscal Plan**	(3,800)	(2,300)	50

Table A8 Revenue by Source - 1999/00 to 2005/06

($ millions)	Actual [1] 1999/00	Actual [1] 2000/01	Actual [1] 2001/02	Updated Forecast 2002/03	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Taxation Revenue:							
Personal income	5,825	5,963	5,366	4,216	4,722	5,027	5,337
Corporation income	943	1,054	1,522	645	755	873	929
Social service	3,355	3,625	3,552	3,816	3,995	4,224	4,430
Fuel	679	715	659	673	866	894	911
Tobacco	498	460	499	610	635	635	635
Property	1,413	1,432	1,461	1,494	1,550	1,605	1,636
Property transfer	245	262	303	390	368	368	373
Corporation capital	460	459	395	190	101	99	97
Other [2]	310	313	333	331	349	374	390
	13,728	14,283	14,090	12,365	13,341	14,099	14,738
Natural Resource Revenue:							
Natural gas royalties	328	1,249	836	947	1,289	1,179	1,027
Petroleum royalties and mineral permits	402	669	533	494	477	477	464
Columbia River Treaty	100	632	360	90	240	240	225
Forests	1,693	1,341	1,253	1,212	1,102	1,205	1,226
Water and other resources	311	308	298	259	288	295	292
	2,834	4,199	3,280	3,002	3,396	3,396	3,234
Other Revenue							
Medical Services Plan premiums	867	894	954	1,385	1,410	1,425	1,442
Motor vehicle licences and permits	334	339	342	350	352	359	365
BC Ferries tolls	292	292	306	313	-	-	-
Other fees and licences	566	653	617	469	500	502	487
Investment earnings	984	975	818	659	728	776	790
Sales of goods and services (Crowns)	208	516	290	331	266	234	248
Miscellaneous [3]	572	836	716	575	634	627	628
	3,823	4,505	4,043	4,082	3,890	3,923	3,960
Contributions from the Federal Government [4]							
Canada health and social transfer	2,438	2,619	2,445	2,649	2,763	2,924	3,024
Equalization	-	-	226	668	675	700	700
Other cost shared agreements [5]	462	517	530	492	554	574	550
	2,900	3,136	3,201	3,809	3,992	4,198	4,274
Taxpayer-supported programs and agencies	**23,285**	**26,123**	**24,614**	**23,258**	**24,619**	**25,616**	**26,206**
Commercial Crown corporations							
BC Hydro	545	549	258	350	(70)	125	80
Liquor Distribution Branch	617	642	637	651	655	655	655
BC Lotteries	532	562	606	670	725	825	900
BC Rail	(582)	(7)	(107)	(83)	61	30	35
Insurance Corporation of BC	96	139	(251)	33	45	36	70
Other	1	4	-	12	5	6	7
Accounting adjustments	*86*	*(164)*	*(58)*	*84*	*(40)*	*(8)*	*(8)*
	1,295	1,725	1,085	1,717	1,381	1,669	1,739
TOTAL REVENUE	24,580	27,848	25,699	24,975	26,000	27,285	27,945

[1] Figures for 1999/00, 2000/01 and 2001/02 have been restated to be consistent with the presentation used in 2003/04.

[2] Includes revenue from insurance premium tax, horse racing tax and hotel room tax.

[3] Includes asset dispositions, reimbursements for health care and other services provided to external agencies, and other recoveries.

[4] Excludes the final impact of the February 5, 2003 First Ministers' Accord on Health Care Renewal.

[5] Includes contributions for health, education, housing and social service programs, for transportation projects, and for coastal ferry services.

Table A9 Expense By Function - 1999/00 to 2005/06

($millions)	Actual 1999/00 [1]	Actual 2000/01 [1]	Actual 2001/02 [1]	Updated Forecast 2002/03	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Health	8,112	9,095	10,088	10,707	10,718	10,730	10,753
Social services	3,141	3,276	3,445	3,096	2,858	2,442	2,500
Education	6,057	6,443	6,934	6,954	6,939	7,018	7,111
Protection of persons and property	1,297	1,313	1,401	1,471	1,428	1,381	1,369
Transportation	1,698	1,380	1,336	1,699	1,354	1,344	1,428
Natural resources and economic development	1,446	1,785	1,827	1,528	1,127	1,025	1,076
Other	607	590	688	683	763	693	702
Government restructuring (All Ministries)	–	–	224	221	190	–	–
Contingencies (All Ministries) [2]	–	–	–	83	170	200	210
General government	430	435	583	498	488	459	460
Debt servicing	1,769	1,875	1,870	1,535	1,792	1,964	1,971
TOTAL EXPENSE [3]	24,557	26,170	28,398	28,475	27,800	27,235	27,370

[1] Figures for 1999/00, 2000/01, and 2001/02 have been updated to more closely follow the presentation used by Statistics Canada.

[2] The Contingencies vote is allocated to functions according to actual results for 1999/00 to 2001/02. The 2002/03 forecast amount represents the unallocated portion available to fund potential pressures for the rest of the year, while the remainder is allocated to functions according to specific pressures (see Table A.3).

[3]

The consolidated revenue fund component of the summary presentation is :

Health	8,017	8,742	9,646	10,400	10,496	10,498	10,417
Social services	3,000	3,208	3,381	3,008	2,786	2,368	2,427
Education	5,478	6,307	6,850	6,930	6,906	6,986	7,071
Protection of persons and property	1,028	1,016	1,100	1,161	1,088	1,014	1,014
Transportation	1,007	611	751	766	604	768	768
Natural resources and economic development	865	1,030	1,340	1,308	1,003	850	887
Other	359	341	306	555	455	367	356
Government restructuring (All Ministries)	–	–	198	221	190	–	–
Contingencies (All Ministries) [2]	–	–	–	83	170	200	200
General government	349	355	367	346	321	294	298
Debt servicing	835	889	751	739	895	1,045	1,089
Total CRF Expense	20,319	22,400	24,015	25,096	24,004	24,053	[illegible]

Table 6.10 Historical Taxpayer-supported Crown Corporation and Agency Operating Results[1]
1999/00 to 2005/06

($ millions)	Actual 1999/00	Actual 2000/01	Actual 2001/02	Updated Forecast 2002/03	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
0928012 British Columbia Ltd. (Skeena Cellulose Inc.)							
Revenue	–	[illegible]	[illegible]	–	–	–	–
Expense	–	[illegible]	[illegible]	–	–	–	–
	–	–	[illegible]	–	–	–	–
BC Transportation Financing Authority							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]
British Columbia Assessment Authority							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Columbia Buildings Corporation							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Columbia Ferry Corporation							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
Expense	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
British Columbia Housing Management Commission							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	–	–	–	–	–	–
British Columbia Transit							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	–	–	[illegible]	–	–	–	–
Forest Renewal BC							
Revenue	[illegible]	[illegible]	[illegible]	–	–	–	–
Expense	[illegible]	[illegible]	[illegible]	–	–	–	–
	[illegible]	[illegible]	[illegible]	–	–	–	–
Legal Services Society							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	–
Other taxpayer-supported Crown corporations and agencies							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net operating results of taxpayer-supported Crown corporations and agencies							
Revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accounting adjustments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net revenue	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accounting adjustments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net expense	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Net fiscal plan impact	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[1] Revenue and expense are shown as reported in the Crown corporation financial statements and service plans before consolidation and accounting adjustments.

[illegible]

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Table A12 Material Assumptions and Sensitivities – Spending

Ministry Programs and Assumptions	Budget Estimate	Updated Forecast	Budget Estimate	Plan	Plan	Sensitivities 2003/04
	2002/03[1]		2003/04	2004/05	2005/06	
	($ millions unless otherwise specified)					
Advanced Education	**[illegible]**	**Unchanged**	**[illegible]**	**[illegible]**	**[illegible]**	
Student spaces – (# of FTEs)	157,300	157,700	160,800	164,000	167,350	The number of student spaces may vary depending on the financial and other policies of post-secondary institutions.
Attorney General	**[illegible]**	**[illegible]**	**[illegible]**	**[illegible]**	**[illegible]**	
Criminal caseload - volume (#)	125,000	Unchanged	124,000 Average approximate annual cost per additional criminal case is $800.	123,000	123,000	A 10% change in criminal caseload affects costs by approximately $4 million.
Statutory services - Crown Proceeding Act	30	Unchanged	**29** Funding based on a historical ten-year average.	**29**	**29**	Spending varies with volume/ size of claims and timing of settlements. Annual cost of settlements has varied from $2 million to $61 million.
Children and Family Development	**[illegible]**	**Unchanged**	**[illegible]**	**[illegible]**	**[illegible]**	
Children in care caseload (#)	9,700	Unchanged	9,100	8,475	8,100	A 5% change in caseload affects costs by $10 million to $13 million.
Average annual residential cost per child in care ($)	26,000	Unchanged	26,300	23,000	23,000	
Adult community living services caseload (#)	6,850	Unchanged	8,850	9,000	9,150	A 5% change in caseload affects costs by $22 million to $27 million.
Average cost per client ($)	61,000	Unchanged	53,000	49,000	48,000	
Community, Aboriginal and Women's Services	**[illegible]**	**[illegible]**	**[illegible]**	**[illegible]**	**[illegible]**	
2010 Winter Olympics Bid						Decision on the winning bid expected in July 2003. Assumes province is awarded the Olympics.
Secretariat and operations	2	14	7	-	-	
Venues and venues legacy	n/a	n/a	37	21	45	
Competition, Science and Enterprise	**[illegible]**	**[illegible]**	**116**	**[illegible]**	**112**	
Vancouver Convention and Exhibition Centre expansion	n/a	n/a	67	92	75	Assumes provincial contribution funded through operating transfers to new agency.
Education	**[illegible]**	**Unchanged**	**[illegible]**	**[illegible]**	**[illegible]**	
Student Enrolment (# of FTEs)	592,000	587,250	582,550	577,800	573,275	A 1% change in enrolment affects costs by approximately $32 million.

[1] Figures have been restated to conform to the 2003/04 presentation.

[2] See service plans.

Table A12 Material Assumptions and Sensitivities - Spending

Ministry Programs and Assumptions	Budget Estimate 2002/03[1]	Updated Forecast 2002/03[1]	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06	Sensitivities 2003/04
	($ millions unless otherwise specified)					
Forests	621	Unchanged	565	536	583	
Direct Fire Fighting	55	43	55	55	55	Drier than normal weather, particularly in the Interior, could affect costs. Annual costs have varied from $19 million to $154 million.
			Funding based on a historical median fire year. Assumes implementation of cost-shared fire protection model.			
Forest Policy Reforms	-	275	With the exception of First Nations' participation, plan assumes no out year cost for forest policy reforms.			
Health Services	**10,158**	**Unchanged**	**10,165**	**10,165**	**10,165**	
			Budgets do not reflect the federal commitment for incremental funding announced on February 5, 2003. Once the province has assessed the terms and conditions of the new funding against provincial priorities, a revised service plan including revised assumptions will be published.			
Pharmacare	**702**	**–**	**614**	**706**	**706**	
Demand/cost growth (per cent change)	0%	5.6%	-12.5%	15.0%	0.0%	A 5% change in utilization or drug prices affects costs by approximately $30 million.
Medical Services Plan (MSP)	**2,516**	**–**	**2,552**	**2,567**	**2,567**	
Population/demographic growth in physician costs (per cent change)	1.6%	Unchanged	1.0%	0.6%	0.0%	A 2% change in the volume of services provided by fee-for-service physicians affects MSP costs by approximately $38 million.
Regional Health Sector Funding	**6,049**	**–**	**6,419**	**6,322**	**6,322**	A 1% change in population affects costs by approximately $60 million.
Human Resources	**1,672**	**1,519**	**1,417**	**1,221**	**1,266**	
Temporary and Continuous Assistance - average caseload (#)	146,700	132,000	118,500	98,000	94,500	A 1% change in caseload affects costs by $7 million to $10 million. A 1% change in unemployment affects costs by approximately $12 million.
Temporary and Continuous Assistance - average monthly cost per case ($)	665	654	645	630	647	The average cost per case is sensitive to behavioural changes, composition of the caseload, and factors such as treatment of income and length of time on income assistance. A 1% change in the annual average cost per case affects costs by $7 million to $12 million.
			Costs reflect the average payments per case. Actual income levels for income assistance clients are higher due to income from other sources.			

[1] Figures have been restated to conform to the 2003/04 presentation.

[2] See service plans.

Table A12 Material Assumptions and Sensitivities - Spending

Ministry Programs and Assumptions	Budget Estimate	Updated Forecast	Budget Estimate	Plan	Plan	Sensitivities 2003/04
	2002/03[1]		2003/04	2004/05	2005/06	
	($ millions unless otherwise specified)					
Public Safety and Solicitor General	**509**	**Unchanged**	**507**	**472**	**471**	
Emergency Program Act	16	31	17	16	16	Actual costs vary with the number and severity of natural disasters such as earthquakes and floods. Annual event costs have varied from $1 million to $48 million.
			Funding based on historical average excluding extraordinary occurances.			
Management of Public Funds and Debt	**920**	**730**	**926**	**1,042**	**1,024**	A 1% change (full-year impact) in interest rates affects direct operating debt interest expense by $80 million and the combined budgets of Advanced Education, Education and Health Services by $10 million. The total impact when Crown corporation and agency debt is included is $130 million.
Interest rates for new provincial borrowing						
Short-term	2.94%	2.88%	3.94%	5.06%	5.25%	
Long-term	6.51%	5.75%	5.93%	6.83%	7.00%	
CDN/US exchange rate ($)	0.6375	0.6468	0.6475	0.6625	0.6744	
Government Restructuring (All Ministries)	**330**	**221**	**190**	-	-	
Workforce Adjustment	65	90	65	-	-	Includes severance and other associated costs.
FTE reduction incurring severance costs (#)	1,900	2,100	1,500	-	-	A 10% change in the estimated number of FTEs incurring severance, or in the average cost of severance, affects costs by about $5 million.
			Assumes average cost of $33,000 per FTE.			
Accomodation and other restructuring	165	131	125	-	-	Changes in workforce adjustment numbers impact changes in demand for accommodation. The timing of program restructuring may affect other restructuring costs.
Government-Wide Issues						
Compensation			Agreements expiring will be settled under a 0-0-0 bargaining mandate. There will be no across-the-board general wage increases for sectors. Specific skills shortages may be addressed by employers through market adjustment increases but no incremental funding will be provided.			
Government Reporting Entity (GRE)			Health authorities, hospital societies, schools districts and certain post-secondary institutions will be included into the GRE by 2004/05. The expanded entity is not expected to have a material impact on the government's bottom-line. Universities are not intended to be included, but their inclusion would improve the bottom line by approximately $150 million. Similarly, BC Ferry Services is assumed to be excluded. However, if included, it would have a relatively minor impact on the bottom-line.			
Taxpayer-supported Crown corporations and agencies	**2,314**	**2,471**	**1,955**	**1,914**	**2,020**	
	The forecast sensitivities of individual Crown corporations and agencies are disclosed in their service plans. The main sensitivity is to the interest costs of the BC Transportation Financing Authority. This sensitivity is included in the disclosure for the Management of Public Funds and Debt.					

[1] Figures have been restated to conform to the 2003/04 presentation.

[2] See service plans.

Table A13 Full-Time Equivalents (FTEs) [1] - 1999/00 to 2005/06

	Actual 1999/00	Actual 2000/01	Actual 2001/02	Updated Forecast 2002/03	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Ministries and special offices (CRF)	33,106	33,579	33,495	30,100	29,049	23,867	23,816
Taxpayer-supported Crown corporations and agencies	9,527	8,926	8,897	8,628	5,270	4,593	4,558
Regional authorities	-	-	-	-	150	2,800	2,800
Total FTEs	**42,633**	**42,505**	**42,392**	**38,728**	**34,469**	**31,260**	**31,174**

[1] Full-time equivalents (FTEs) are a measure of staff employment. FTEs are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual, full-time person would normally work in that period. This does not equate to the physical number of employees. For example, two half-time employees would equal one FTE, or alternatively, three FTEs may represent two full-time employees who have worked sufficient overtime hours to equal an additional FTE.

Table A13 Full-Time Equivalents (FTEs)[1] - 1999/00 to 2005/06

	Actual 1999/00	Actual 2000/01	Actual 2001/02	Updated Forecast 2002/03	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Ministries and special offices (CRF)	33,106	33,579	33,495	30,100	29,049	23,867	23,816
Taxpayer-supported Crown corporations and agencies	9,527	8,926	8,897	8,628	5,270	4,593	4,558
Regional authorities	-	-	-	-	150	2,800	2,800
Total FTEs	**42,633**	**42,505**	**42,392**	**38,728**	**34,469**	**31,260**	**31,174**

[1] Full-time equivalents (FTEs) are a measure of staff employment. FTEs are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual, full-time person would normally work in that period. This does not equate to the physical number of employees. For example, two half-time employees would equal one FTE, or alternatively, three FTEs may represent two full-time employees who have worked sufficient overtime hours to equal an additional FTE.

Table A14 Statement of Financial Position - 1999/00 to 2005/06

For Fiscal Year Ending March 31 ($ millions)	Actual 2000	Actual 2001	Actual 2002	Updated Forecast 2003	Budget Estimate 2004	Plan 2005	Plan 2006
Financial Assets							
Cash and temporary investments	1,569	548	780	173	152	164	288
Other financial assets	4,030	4,400	4,342	4,236	5,063	5,327	5,649
Investments in commercial Crown corporations:							
Retained earnings	*2,820*	*3,001*	*2,525*	*2,587*	*2,594*	*2,702*	*2,837*
Recoverable capital loans	*7,499*	*7,437*	*7,552*	*7,571*	*8,270*	*8,592*	*8,812*
	10,319	10,438	10,077	10,158	10,864	11,294	11,649
Warehouse borrowing program assets	1,320	1,312	1,067	-	-	-	-
	17,238	**16,698**	**16,266**	**14,567**	**16,079**	**16,785**	**17,586**
Liabilities							
Current liabilities	3,970	3,829	4,038	4,771	4,725	4,655	4,606
Unfunded pension liabilities	2,053	1,477	6	6	6	6	6
Debt:							
Taxpayer-supported debt	*25,181*	*24,998*	*27,175*	*29,281*	*32,046*	*32,530*	*32,622*
Self-supported debt	*9,297*	*8,882*	*8,741*	*7,687*	*8,420*	*8,733*	*8,944*
Forecast allowance	-	-	-	*300*	*500*	*500*	*500*
Total provincial debt	*34,478*	*33,880*	*35,916*	*37,268*	*40,966*	*41,763*	*42,066*
Less: guarantees and non-guaranteed debt	*(934)*	*(597)*	*(464)*	*(426)*	*(439)*	*(399)*	*(362)*
	33,544	33,283	35,452	36,842	40,527	41,364	41,704
	39,567	**38,589**	**39,496**	**41,619**	**45,258**	**46,025**	**46,316**
Net Liabilities	**(22,329)**	**(21,891)**	**(23,230)**	**(27,052)**	**(29,179)**	**(29,240)**	**(28,730)**
Capital and Other Assets							
Prepaid capital advances	6,517	6,905	7,033	7,141	7,313	7,352	7,324
Tangible capital assets	10,476	11,091	11,206	11,098	10,735	10,781	10,650
Other assets	401	386	281	285	303	329	353
	17,394	**18,382**	**18,520**	**18,524**	**18,351**	**18,462**	**18,327**
Accumulated surplus (deficit)	**(4,935)**	**(3,509)**	**(4,710)**	**(8,528)**	**(10,828)**	**(10,778)**	**(10,403)**

Table A14a Changes in Financial Position - 1999/00 to 2005/06

($ millions)	Actual 1999/00	Actual 2000/01	Actual 2001/02	Updated Forecast 2002/03	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Change in accumulated (surplus) deficit:							
(Surplus) deficit for the period	(23)	(1,426)	1,233	3,800	2,300	(50)	(375)
Accounting policy equity adjustments	5	–	(32)	18	–	–	–
	(18)	(1,426)	1,201	3,818	2,300	(50)	(375)
Working capital changes:							
Increase (reduction) in cash and temporary investments	778	(1,021)	232	(607)	(21)	12	124
Decrease in unfunded pension liability	391	576	1,471	–	–	–	–
Other working capital changes	(20)	496	(372)	(835)	691	360	395
	1,149	51	1,331	(1,442)	670	372	519
Capital asset and investment changes:							
Increase in taxpayer-supported capital investments	*1,902*	*2,028*	*1,414*	*1,181*	*1,450*	*1,151*	*1,055*
Less: amortization and other accounting changes	*(1,076)*	*(1,025)*	*(1,171)*	*(1,181)*	*(1,641)*	*(1,068)*	*(1,218)*
	826	1,003	243	–	(191)	83	(163)
Increase in total investment in commercial Crown corporations	*632*	*952*	*412*	*1,060*	*1,070*	*1,335*	*1,207*
Less: loan repayments and other accounting changes	*(1,261)*	*(833)*	*(773)*	*(979)*	*(364)*	*(905)*	*(852)*
	(629)	119	(361)	81	706	430	355
Increase (decrease) in warehouse borrowing investments	662	(8)	(245)	(1,067)	–	–	–
	859	1,114	(363)	(986)	515	513	192
Increase (decrease) in guarantees and non-guaranteed debt	227	(337)	(131)	(38)	10	(48)	(37)
Increase (decrease) in total provincial debt	2,217	(598)	2,038	1,352	3,495	787	299

Table A14 Statement of Financial Position – 1999/00 to 2005/06

For Fiscal Year Ending March 31 ($ millions)	Actual 2000	Actual 2001	Actual 2002	Updated Forecast 2003	Budget Estimate 2004	Plan 2005	Plan 2006
Financial Assets							
Cash and temporary investments	1,589	548	780	170	152	154	208
Other financial assets	6,030	6,400	6,362	6,236	5,063	5,327	5,619
Investments in commercial Crown corporations:							
Retained earnings	2,820	3,001	2,525	2,587	2,594	2,702	2,807
Recoverable capital loans	7,492	7,437	7,552	7,571	8,270	8,552	8,812
	10,312	10,438	10,077	10,158	10,864	11,254	11,619
Warehouse borrowing program assets	1,320	1,210	1,087	–	–	–	–
	19,248	18,598	18,306	16,567	16,079	16,782	17,446
Liabilities							
Current liabilities	5,270	5,823	6,038	6,771	6,705	6,052	6,205
Unfunded pension liabilities	2,053	1,677	0	0	0	0	0
Debt:							
Taxpayer-supported debt	25,161	24,929	27,175	29,381	32,044	32,539	32,822
Self-supported debt	9,297	8,892	8,741	7,687	8,425	8,730	8,884
Forecast allowance	–	–	–	300	300	500	500
Total provincial debt	34,478	33,880	35,916	37,358	40,869	41,769	42,206
Less: guarantees and non-guaranteed debt	(558)	(557)	(464)	(429)	(429)	(399)	(392)
	33,920	33,264	35,452	36,940	40,327	41,370	41,814
	40,287	38,369	39,498	41,213	45,456	46,024	46,316
Net Liabilities	(22,039)	(21,891)	(23,230)	(27,050)	(28,176)	(29,040)	(28,730)
Capital and Other Assets							
Prepaid capital advances	6,517	6,805	7,033	7,141	7,316	7,352	7,354
Tangible capital assets	10,478	11,051	11,208	11,038	10,735	10,781	10,933
Other assets	401	396	281	385	300	333	333
	17,396	18,252	18,522	18,564	18,351	18,466	18,620
Accumulated surplus (deficit)	(4,643)	(3,639)	(4,710)	(8,486)	(9,825)	(10,574)	(10,110)

Table A11b Changes in Financial Position – 1999/00 to 2005/06

($ millions)	Actual 1999/00	Actual 2000/01	Actual 2001/02	Updated Forecast 2002/03	Budget Estimate 2003/04	Plan 2004/05	Plan 2005/06
Change in accumulated (surplus) deficit:							
(Surplus) deficit for the period	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Accounting policy equity adjustments	[illegible]	–	[illegible]	[illegible]	–	–	–
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Working capital changes:							
Increase (reduction) in cash and temporary investments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Decrease in unfunded pension liability	[illegible]	[illegible]	[illegible]	–	–	–	–
Other working capital changes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital asset and investment changes:							
Increase in taxpayer-supported capital investments	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less: amortization and other accounting changes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	–	[illegible]	[illegible]	[illegible]
Increase in total investment in commercial Crown corporations	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Less: loan repayments and other accounting changes	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Increase (decrease) in warehouse borrowing investments	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Increase (decrease) in guaranteed and non-guaranteed debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Increase (decrease) in total provincial debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Table A15 Debt Summary [1] – [illegible]

($ millions)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taxpayer-supported debt							
Provincial government direct operating	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Education facilities							
Schools	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Post-secondary institutions	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health facilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Highways, ferries and public transit							
BC Transportation Financing Authority	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Ferries	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Transit	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Public transit	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SkyTrain extension	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rapid Transit Project 2000 Ltd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other							
BC Buildings	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Social housing [2]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Homeowner Protection Office	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Universities and colleges – fiscal agency loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Other [3]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total taxpayer-supported debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Self-supported debt							
Commercial Crown corporations and agencies							
BC Hydro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BC Rail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]						
Columbia Basin power projects [4]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Columbia Power Corporation		[illegible]	[illegible]	[illegible]			
Liquor Distribution Branch	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Warehouse borrowing program	[illegible]	[illegible]	[illegible]				
Total self-supported debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Forecast allowance				[illegible]	[illegible]	[illegible]	[illegible]
Total provincial debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Debt as a per cent of GDP							
Total provincial debt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taxpayer-supported	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[1] [illegible]

[2] [illegible]

[3] [illegible]

[4] [illegible]

[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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Table A15 Debt Summary [1] - 1999/00 to 2005/06

As at March 31	Actual 2000	Actual 2001	Actual 2002	Updated Forecast 2003	Budget Estimate 2004	Plan 2005	Plan 2006
	($ millions unless otherwise indicated)						
Taxpayer-supported debt							
Provincial government direct operating	13,659	13,113	13,789	15,344	17,782	17,714	17,272
Education facilities							
Schools	3,609	3,680	4,202	4,338	4,468	4,545	4,636
Post-secondary institutions	1,369	1,383	1,420	1,534	1,752	1,900	2,002
	4,978	5,063	5,622	5,872	6,220	6,445	6,638
Health facilities	1,451	1,790	1,845	2,022	2,208	2,367	2,514
Highways, ferries and public transit							
BC Transportation Financing Authority	1,845	2,157	2,514	2,679	2,812	2,962	3,141
BC Ferries [2]	24	27	19	16	-	-	-
BC Transit	79	74	79	79	80	82	83
Public transit	852	848	708	831	823	820	817
SkyTrain extension	488	836	1,044	1,127	1,170	1,170	1,170
Rapid Transit Project 2000 Ltd.	151	114	47	-	-	-	-
	3,439	4,056	4,411	4,732	4,885	5,034	5,211
Other							
BC Buildings	615	613	596	461	372	354	337
Social Housing [3]	205	265	206	170	178	184	189
Homeowner Protection Office	34	71	113	130	124	119	121
Universities and colleges - fiscal agency loans	130	124	114	111	108	105	102
Other [4]	453	391	166	179	110	108	108
	1,437	1,464	1,195	1,051	892	870	857
Total taxpayer-supported debt	**25,191**	**24,998**	**27,175**	**28,281**	**30,849**	**32,538**	**33,822**
Self-supported debt							
Commercial Crown corporations and agencies							
BC Hydro	6,945	6,852	6,863	6,398	7,689	8,020	8,250
BC Rail	455	603	514	486	478	473	467
Skeena Cellulose Inc.	280	-	-	-	-	-	-
Columbia River power projects [5]	54	92	120	119	243	232	220
Columbia Power Corporation	-	25	64	73	-	-	-
Liquor Distribution Branch	3	2	13	12	10	8	7
	7,677	7,575	7,574	7,087	8,420	8,733	8,944
Warehouse borrowing program	1,320	1,312	1,067	-	-	-	-
Total self-supported debt	**9,207**	**8,882**	**8,741**	**7,087**	**8,420**	**8,733**	**8,944**
Forecast allowance	-	-	-	**300**	**500**	**500**	**500**
Total provincial debt	**34,478**	**33,880**	**35,816**	**37,268**	**40,099**	**41,763**	**43,066**
Debt as a per cent of GDP							
Total provincial debt	29.6%	28.2%	27.4%	27.9%	28.4%	28.4%	27.3%
Taxpayer-supported	20.9%	19.3%	20.8%	21.6%	23.0%	22.1%	21.1%

[1] Debt is after deduction of sinking funds and unamortized discounts, and excludes accrued interest. Government direct and fiscal agency accrued interest is reported in the government's accounts as an accounts payable.

[2] Effective April 1, 2003, the provincial coastal ferry system will be independently operated by BC Ferry Services.

[3] Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation.

[4] Includes the BC Assessment Authority, Pacific Racing Association, and other taxpayer-supported Crown corporations and agencies. Also includes student loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

[5] Joint venture of the Columbia Power Corporation and Columbia Basin Trust.

Table A16 Key Debt Indicators - 1999/00 to 2005/06

For fiscal year ending March 31	Actual 2000	Actual 2001	Actual 2002	Updated Forecast 2003	**Budget Estimate 2004**	Plan 2005	Plan 2006
Debt to revenue (per cent)							
Total provincial	102.4	83.4	95.1	107.7	**112.1**	109.6	107.6
Taxpayer-supported	101.6	90.3	103.8	118.6	**124.4**	120.7	118.3
Debt per capita ($)[1]							
Total provincial	8,559	8,345	8,756	9,000	**9,805**	9,885	9,842
Taxpayer-supported	6,251	6,157	6,625	7,071	**7,667**	7,699	7,633
Debt to GDP (per cent)[2]							
Total provincial	28.6	26.2	27.4	27.9	**29.4**	28.4	27.3
Taxpayer-supported	20.9	19.3	20.8	21.9	**23.0**	22.1	21.1
Interest bite (cents per dollar of revenue)[3]							
Total provincial	7.5	6.4	6.4	6.6	**7.3**	7.4	7.3
Taxpayer-supported	7.2	6.8	6.6	6.8	**7.7**	7.8	7.7
Interest costs ($ millions)							
Total provincial	2,528	2,604	2,429	2,294	**2,666**	2,813	2,847
Taxpayer-supported	1,795	1,871	1,731	1,684	**1,982**	2,109	2,120
Interest rate (per cent)[4]							
Taxpayer-supported	7.4	7.0	6.6	6.0	**6.5**	6.5	6.6
Background Information							
Revenue ($ millions)							
Total provincial[5]	33,675	40,618	37,764	34,612	**36,528**	38,092	39,103
Taxpayer-supported[6]	24,784	27,690	26,183	24,691	**25,757**	26,944	27,579
Total debt ($ millions)							
Total provincial	34,479	33,880	35,916	37,268	**40,986**	41,763	42,066
Taxpayer-supported[7]	25,181	24,998	27,175	29,281	**32,046**	32,530	32,622
Provincial GDP ($ millions)[8]	120,586	129,356	130,859	133,600	**139,340**	146,880	154,280
Population (thousands at July 1)[9]	4,028	4,060	4,102	4,141	**4,180**	4,225	4,274

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[1] The ratio of debt to population (e.g. 2004 debt divided by population at July 1, 2003).

[2] The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. 2004 debt divided by 2003 GDP).

[3] The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

[4] Weighted average of the cost of all outstanding debt issues.

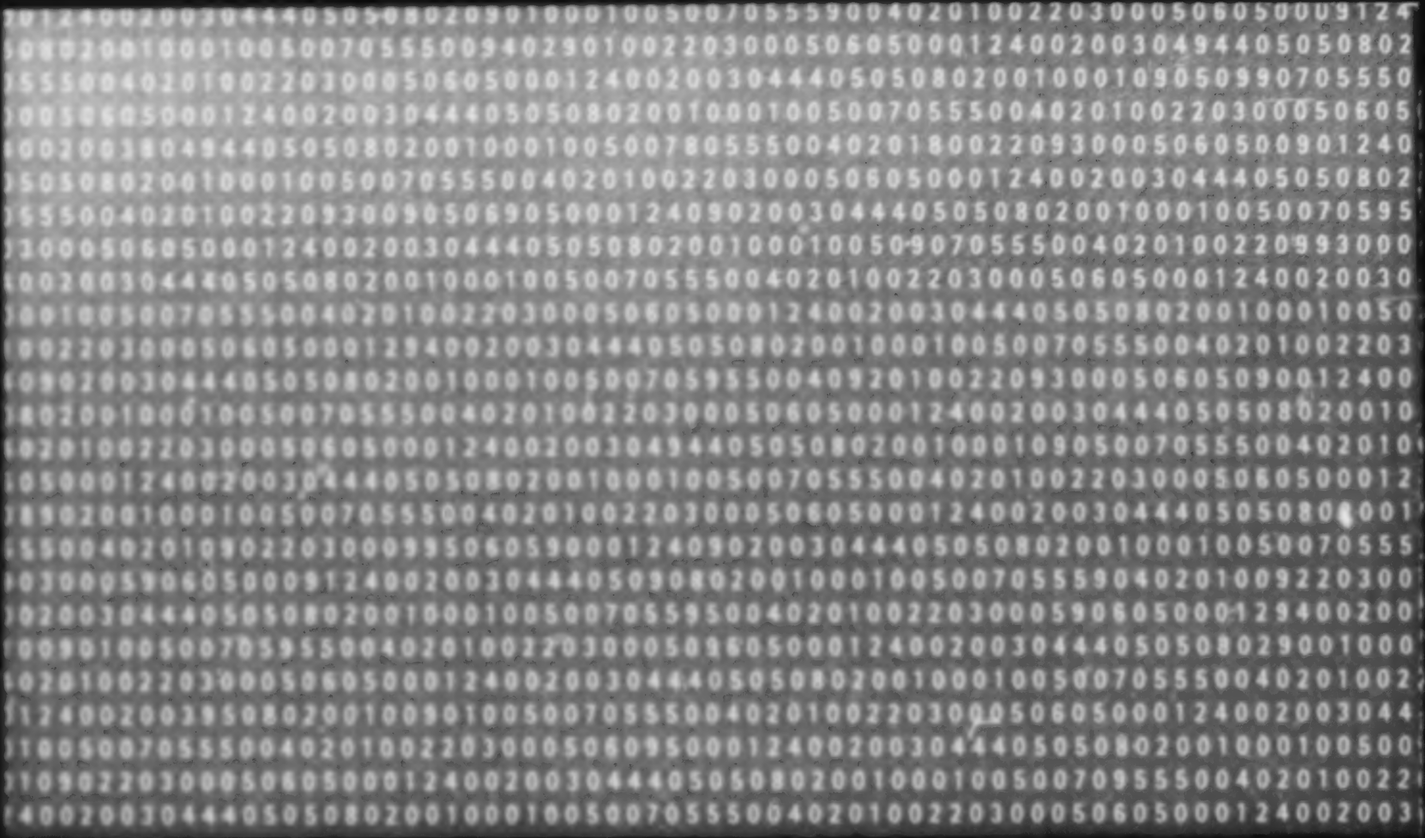
[5] Includes revenue of the consolidated revenue fund plus revenue of all Crown corporations and agencies.

[6] Excludes revenue of commercial Crown corporations and agencies, and interest from the warehouse borrowing program net of contributions to government.

[7] Excludes debt of commercial Crown corporations and agencies, funds held under the province's warehouse borrowing program and the forecast allowance.

[8] GDP for the calendar year ending in the fiscal year (e.g. GDP for 2003 is used for the fiscal year ending March 31, 2004).

[9] Population at July 1st within the fiscal year (e.g. population at July 1, 2003 is used for the fiscal year ending March 31, 2004).



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BRITISH COLUMBIA GOVERNMENT

STRATEGIC PLAN
2003/04 - 2005/06

Restoring Hope & Prosperity

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MESSAGE FROM THE PREMIER

There are many dedicated people that work in the public service in British Columbia. This Strategic Plan is for them.

Values and the purpose of government should not change year over year – action items should. For us to meet the objectives we have set, it is critical we let the public servants know what we are all working to accomplish. We have made significant progress in the past year. That could not have happened without the dedication and hard work of the public service.

This year, the continued pursuit of prosperity is critical to our province. The Strategic Plan for 2003/04 through to 2005/06 is meant to guide our efforts to rebuild the economy and enable the delivery of excellent public services.

INTRODUCTION

This is the second annual three-year Government Strategic Plan produced for British Columbians. The purpose of this Plan is to inform the public and the public service of the government's long term vision for the province. This vision sees British Columbians as innovators, turning great ideas into great ventures. Our goal is for British Columbia to have the best performing economy and the highest quality of life in North America. Revitalizing economic prosperity is the key to improving our quality of life in British Columbia and sustaining our valued public services. This plan outlines how we will achieve our vision. It describes:

- The core values that guide government — our beliefs and principles;
- Our goals, objectives and strategies — what we hope to accomplish and how; and
- Performance measures — how we will know whether we are achieving our goals and objectives.

The foundation of this plan is based on three overriding goals: economic growth, a supportive social fabric and healthy communities and environment. Renewing our economy is unquestionably this government's top priority. It ultimately allows families to prosper and provides funds for government programs.

PERFORMANCE MEASURES & EVALUATIONS

We have committed to holding government accountable for measuring the success of its programs and reporting on performance. In developing this plan we have drawn from work across the province, and have used sets of evaluations and information that we monitor on a regular basis to assist in the development of key performance measures and indicators. In addition, we have established the British Columbia Progress Board to help define specific economic, social and environmental benchmarks and targets for the tax, regulatory, social and fiscal reforms that government will undertake, and to monitor its performance. This work will assist us in fulfilling the commitment to provide regular reports to British Columbians and the Legislature so that taxpayers can monitor our performance and progress, and hold government accountable for its commitments. It will also help to inform government where follow-up efforts are necessary and additional work is warranted.

Significant effort has been expended over the past year to refine the key measures and targets set out in last year's report. In most cases, specific targets are set for the government's key performance measures. The key measures that have been selected are those that best represent the overall performance in areas that are priorities for British Columbians. These measures do not tell us everything about government's performance, but they do provide an indication of the progress British Columbia is making in key areas such as the economy, health, education, justice and the environment.

Each year, government will report results for each measure relative to the target that has been set. These results are used as indicators of the government's progress towards achieving its goals. In addition, each government ministry has a set of key performance measures that relate to their goals and objectives. Ministry measures provide more detailed information on specific program performance. These measures are reported in ministry annual reports.

VISION

British Columbia is a prosperous and just province, whose citizens achieve their potential and have confidence in the future.

CORE VALUES

- ***Integrity:*** *to make decisions in a manner that is consistent, professional, fair and balanced*
- ***Fiscal Responsibility:*** *to implement affordable public policies*
- ***Accountability:*** *to enhance efficiency, effectiveness and credibility of government*
- ***Respect:*** *to treat all citizens equitably, compassionately and respectfully*
- ***Choice:*** *afford citizens the opportunity to exercise self-determination*

LINK TO MINISTRY SERVICE PLANS

The Strategic Plan is the guiding document for government, outlining its goals for the economy, our social fabric, our communities and physical environment. It is the umbrella plan for individual ministry service plans, which provide greater detail on performance measures and strategies.

THEMES UNDERLYING THE PLAN

Government will operate in an innovative, enterprising, results-oriented and accountable manner. In doing so, it will adopt the following managerial principles:

- High standards of accountability, consultation and ethics
- Focused and efficient delivery of government services
- Social and fiscal responsibility
- Open and transparent government
- An innovative and goal-oriented public service

VISION

British Columbia is a prosperous and just province, whose citizens achieve their potential and have confidence in the future.

GOAL 1:

A strong and vibrant provincial economy

GOAL 2:

A supportive social fabric

GOAL 3:

Safe, healthy communities and a sustainable environment

MANAGEMENT THEMES FOR GOVERNMENT

Government is innovative, enterprising, results-oriented and accountable.

LINKS TO THE NEW ERA VISION

The New Era document, which outlined the government's 2001 election policy platform, contained many far-reaching policy objectives. Ten specific objectives were highlighted for the future. These ten objectives link to the goals described in this Strategic Plan, as outlined below:

GOAL 1: A STRONG AND VIBRANT PROVINCIAL ECONOMY

- A thriving private sector economy that creates high-paying job opportunities
- The fastest growing technology industry in Canada
- Greater equity and equality for British Columbia in Canada
- Responsible, accountable management of public resources and tax dollars

GOAL 2: A SUPPORTIVE SOCIAL FABRIC

- A top-notch education system for students of all ages
- High-quality public health care services that meet all patients' needs, where they live and when they need it
- Better services for children, families and First Nations
- The most open, accountable and democratic government in Canada

GOAL 3: SAFE, HEALTHY COMMUNITIES AND A SUSTAINABLE ENVIRONMENT

- Safer streets and schools in every community
- A leading-edge forest industry that is globally recognized for its productivity and environmental stewardship

These commitments are reflected in the government's Strategic Plan.

GOALS, OBJECTIVES, KEY MEASURES AND STRATEGIC ACTIONS

In keeping with government's vision and values, three strategic goals and a number of strategic objectives have been identified for the next three years. The goals and objectives are sometimes interdependent and need to be jointly considered to identify opportunities for greater effectiveness. Moreover, all of these goals and objectives will be undertaken in the context of government's two most pressing issues – restoring our economy and our fiscal situation to positions of strength while maintaining our commitment to health and education.

As the implementation of a measurement framework for government is a new process, some measures are in the developmental stage and may be general in nature. In a few cases, performance measure targets are still being developed, and will be refined over time. We have selected measures that represent the strategic direction of government, and have drawn from the work of the British Columbia Progress Board, as well as from the Provincial Health Officer and other sources.

The Plan also details a variety of strategic actions under each of the three strategic goals of government. These actions are the priority initiatives that government will undertake over the next three years to move British Columbia toward the achievement of government's three core goals for the province. These strategic actions will be revised each year to be consistent with government's current priorities, and those actions that have been completed will be identified in the government's Annual Report.

[illegible] STRONG AND VIBRANT PROVINCIAL ECONOMY

British Columbia has had a long history of prosperity and leadership. However, the 1990s were a decade of decline for the province, where British Columbia fell far short of being the leading economic performer in Canada. We want to regain our position of strength, and within the next decade return this province to an unparalleled economic success story. When we survey the economic landscape in the years to come, British Columbians will have much to be proud of, and much to look forward to. Our citizens will have confidence in the provincial economy, its social fabric and in themselves to achieve their full potential.

The objectives and key measures to achieve this goal are as follows:

A. BRITISH COLUMBIA WILL HAVE A SKILLED WORKFORCE

The percentage of the labour force with a post-secondary certificate, diploma or degree.

Increase the percentage of the labour force with a post-secondary certificate, diploma or degree from the 2001 baseline of 51 per cent to 54 per cent in 2005/06.

Persons employed in natural and applied sciences as a percentage of total employment in British Columbia.

Increase the percentage of individuals employed in natural and applied science occupations as a percentage of total employment, from the 2001 baseline of 6.1 per cent to 7.0 per cent in 2005/06.

B. BRITISH COLUMBIA WILL HAVE A PROSPEROUS ECONOMY

Real Gross Domestic Product (GDP) per capita is a key measure of overall economic activity, expressed in terms of economic output (new goods and services produced) per person.

The B.C. Progress Board has set a target for us of 1st or 2nd place in Canada by 2010. To meet that goal, by 2005/06 we expect to be at a 5th place rank in Canada in the growth of real GDP per capita, from the 2001 baseline rank of 10th place.

Real GDP per hour worked in the business sector indicates overall efficiency of our labour efforts.

By 2005/06 we expect to be at a 3rd place rank in Canada in the level of real GDP per worker hour in the business sector, from the 2001 baseline rank of 5th place.

Total amount of gross fixed business investment as a percentage of provincial GDP.

By 2005/06 we expect to be at a 3rd place rank in Canada in the level of business investment, from the 2001 baseline rank of 5th place.

C. BRITISH COLUMBIA WILL HAVE EMPLOYMENT OPPORTUNITIES

The employment to population ratio of individuals aged 15 to 64.	The B.C. Progress Board has set a target for us of 1st or 2nd place in Canada by 2010. To meet that goal, by 2005/06 we expect to be at a 4th place rank in Canada in the employment ratio, from the 2001 baseline rank of 6th place.
Real personal disposable income per capita represents total income minus taxes paid to all levels of government (i.e. income taxes, property taxes, contributions to social security, etc.) and various fees such as medical insurance premiums, expressed on a per person basis.	The B.C. Progress Board has set a target for us of 1st or 2nd place in Canada by 2010. To meet that goal, by 2005/06 we expect to have improved on our 2001 baseline rank of 3rd place.
Net new jobs in British Columbia.	From the 2001 baseline rank of 3rd in Canada, target a 1st place rank in the net new total jobs created by 2005/06.

D. GOVERNMENT WILL BE AFFORDABLE AND FISCALLY RESPONSIBLE

Balance the provincial government budget.	The provincial budget will be balanced annually beginning in 2004/05.
Taxpayer supported debt in relation to the size of the GDP.	Annually reduce the province's taxpayer supported debt to GDP ratio once a balanced budget is achieved in 2004/05.
Provincial government expenditure as a percentage of GDP.	Reduce the level of provincial government expenditure from the 2002/03 forecast of 21.3 per cent of GDP.

Work with the private sector to remove barriers to economic activity	Competition, Science & Enterprise
Support a culture of innovation that transfers science and technology from the research stage through to development and the commercial marketplace	Competition, Science & Enterprise; Advanced Education
Develop and implement a long-term economic development strategy	Competition, Science & Enterprise; All Ministries
Maintain a competitive tax regime	Finance
Make the Workers' Compensation Board responsive to workers and employers	Skills Development & Labour
Build the capacity for British Columbia to be a national leader in the research and innovation essential for economic growth	Advanced Education
Continue to co-ordinate provincial trade and investment promotion across sectors	Competition, Science & Enterprise
Conclude treaty and other economic related agreements with First Nations that promote investment certainty and increase access to Crown lands and resources	Attorney General
Expand partnerships with the federal government to promote growth and economic development in British Columbia	All Ministries
Improve key transportation infrastructure that supports economic growth and trade	Transportation
Develop a provincial human resources strategy to ensure British Columbia has the skilled workforce to support British Columbia growth	Skills Development & Labour; Community, Aboriginal & Women's Services; Competition, Science & Enterprise; Advanced Education; Education; Human Resources; Public Sector Employers' Council; Health Planning
Develop a new model to deliver industry training in the province which will refocus resources more effectively and efficiently throughout the province	Advanced Education
Develop fair and balanced employment standards that allow mutually beneficial relationships between employees and employers	Skills Development & Labour

GOVERNMENT STRATEGIC ACTIONS AND ACCOUNTABILITY

All ministries will meet their budget and service plan targets	Finance; All Ministries
Reform the province's Crown corporations so that they focus on public services, efficiency and effective service delivery	Crown Agencies Secretariat; All Ministries
Increase recoveries of revenues owed to government and streamline accounts receivable collections	Provincial Revenue
Promote and sustain a renewed professional public service	Management Services; All Ministries
Establish public private partnerships or other alternative service delivery arrangements for capital infrastructure and program delivery	Finance; All Ministries
Improve public access to government through e-government initiatives	Chief Information Office
Continue to expand one-stop permitting and licensing in key sectors	Competition, Science & Enterprise; All Ministries
Continue to streamline government's legislation and regulation	Competition, Science & Enterprise
Continue to implement integrated cross ministry service delivery projects in various communities throughout the province	Management Services; Community, Aboriginal & Women's Services

GOAL 2: A SUPPORTIVE SOCIAL FABRIC

There is a fundamental relationship between a vibrant economy and a strong social fabric. Our economy will only be strong if our social fabric supports a healthy population and a skilled workforce. Robust economies provide the funds for the social and environmental services required by the public. Over the next three years we will facilitate the governmental and institutional reforms needed to build and sustain high-performing health, education and social welfare systems. Our systems of justice must be accessible, efficient, fair and affordable. We will ensure our public institutions provide citizens with services that meet standards of the highest quality, are timely, are delivered by knowledgeable and competent staff, are cost-effective and responsive to individual choice. British Columbians will be treated with dignity and respect.

The objectives and key measures to achieve this goal are as follows:

A. BRITISH COLUMBIANS WILL BE HEALTHY

The rate of lost potential years of life per 10,000 population from all causes of premature death.	Decrease the potential years of life lost from the 1995-2000 average of 53.3 per 10,000 population to an average of 45.0 per 10,000 population for 2001-2005.
The percentage of all live births weighing below 2,500 grams.	Decrease the percentage of all live births weighing below 2,500 grams from the 2000 baseline of 5.1 per cent to 5.0 per cent between 2001-2005.
The rate of status Indians who die in the first year of life.	The rate of infant mortality among the status Indian population is equal to that of the general population of British Columbia by 2005/06.

B. BRITISH COLUMBIANS WILL BE EDUCATED

The percentage of the population, aged 25 to 54, who have completed a university education.	By 2005/06 we expect to be at a 2nd place rank in Canada in the population who have completed a university education from the 2001 baseline rank of 4th place.
The percentage of students who start Grade 8 and graduate from Grade 12 within six years.	Annual improvement from the 2000/01 baseline of 76 per cent.
The percentage of students meeting or exceeding expectations in Grade 4 reading is an early success indicator.	Annual improvement from the 2000/01 baseline of 78 per cent.

C. BRITISH COLUMBIA WILL HAVE A FAIR AND EFFICIENT SYSTEM OF JUSTICE

The proportion of small claims cases settled through out-of-court mediation in the Court Mediation Program.	Achieve and maintain an average of 60 per cent between 2003/04 – 2005/06 from the 2000/01 baseline of 56 per cent.
The proportion of adult offenders who do not re-offend for two years following corrections supervision.	Increase the proportion of adult offenders who do not re-offend from the 2001/02 baseline of 69 per cent to 70 per cent in 2005/06 and maintain this level.
The median number of days to disposition from first appearance for criminal cases.	By 2005/06, achieve and maintain an average of 44 days from the 2000/01 baseline of 46 days.

D. BRITISH COLUMBIANS WILL BE SELF-SUFFICIENT

The percentage of British Columbia's population receiving income assistance.	By 2005/06, reduce the percentage of the population receiving income assistance from the 2001/02 baseline of 6.0 per cent to 3.75 per cent.
The percentage of individuals receiving income assistance who are capable of financial independence through employment.	Reduce the percentage of persons receiving income assistance who are capable of financial independence through employment from the 2001/02 baseline of 76 per cent to 52 per cent by 2005/06.
Aboriginal self-sufficiency (measure under development)	Under development

Increase flexibility and choice in public schooling	Education
Increase flexibility and choice for post-secondary education students	Advanced Education
Facilitate a community-based approach to ensure access to high-quality and cost-effective health, education and social services	Advanced Education; Community, Aboriginal & Women's Services; Children & Family Development; Education; Health Planning; Human Resources; Health Services
Expand the early use of alternative dispute resolution processes for civil disputes and family justice issues	Attorney General
Provide individualized funding, service and support options to children, youth, families and adults with developmental disabilities	Children & Family Development
Provide greater choice of living options for Home and Community Care	Health Planning; Health Services

Enhance full-service family practice to ensure delivery of a consistent level and quality of coordinated medical and related services throughout the Province	Health Planning; Health Services
Create a sustainable child care system in which families can choose from a range of available, affordable, safe, quality child care options that meet their diverse needs; that support families to achieve their educational and employment goals and that support the healthy development of children	Community, Aboriginal & Women's Services; Children & Family Development; Human Resources; Health Services
Ensure delivery of a consistent level and quality of education, health and social services throughout the province	Advanced Education; Community, Aboriginal & Women's Services; Education; Health Planning; Human Resources; Health Services
Enhance access for the number and an increasingly diverse array of post-secondary learners throughout the province	Advanced Education
Increase the use of technology to streamline court processes and facilitate access to justice	Attorney General; Public Safety & Solicitor General
Ensure criminal cases move through the justice system in a timely and efficient manner	Attorney General; Public Safety & Solicitor General

Implement and manage performance-based accountability agreements for publicly funded agencies including health, education and social services	Advanced Education; Community, Aboriginal & Women's Services; Children & Family Development; Education; Health Planning; Human Resources
Improve the prevention and management of selected chronic diseases	Health Planning; Health Services
Ensure information is available to assist individuals in making more informed decisions regarding their personal and community health, education, fitness, safety and health care needs	Advanced Education; Community, Aboriginal & Women's Services; Education; Health Planning; Health Services; Public Safety & Solicitor General
Provide supports and incentives to enhance local responsiveness to community and family needs	Community, Aboriginal & Women's Services; Education; Children & Family Development; Health Planning; Human Resources; Health Services
Provide supports and incentives to engage in programs for health promotion and prevention of racism and violence	Health Services; Health Planning; Community, Aboriginal & Women's Services
Enhance social development for Aboriginal people	Community, Aboriginal & Women's Services; Children & Family Development; Human Resources; Advanced Education; Education
Promote the development of supports and services within aboriginal communities that address their unique social and economic conditions	Advanced Education; Community, Aboriginal & Women's Services; Education; Human Resources; Health Services
Provide skills training and employment programs to move employable BC Employment and Assistance clients into the labour market	Human Resources
Implement new employment programs and services that assist persons with disabilities to participate in employment and employment-related or voluntary activities as they are able	Human Resources
Provide opportunities through post-secondary and continuing education to help citizens obtain the knowledge and skills that will help them contribute more effectively to their communities	Advanced Education

GOVERNMENT STRATEGIC ACTIONS AND ACCOUNTABILITY

Lower the risks of re-offending by using risk and needs assessment to determine appropriate rehabilitation programs	Public Safety & Solicitor General
Ensure the development of socially responsible and safe industry practices	Skills Development & Labour, Community, Aboriginal & Women's Services, Public Safety & Solicitor General
Encourage workplaces to improve their safety practices and seek improvements from employers and industries with poor safety records	Skills Development & Labour, Public Safety & Solicitor General
Develop regulatory legislation that offers protection for consumers and flexibility for consumer industries	Public Safety & Solicitor General

GOAL 3: SAFE, HEALTHY COMMUNITIES AND A SUSTAINABLE ENVIRONMENT

Sustained economic competitiveness depends upon British Columbians maximizing the benefits from our natural resources, maintaining the quality of our environment, and enhancing the health of our communities. Our province is known for its spectacular scenery and natural environment. At the same time, our land base and natural resources underpin the economy and our local communities and, through resource revenues, contribute to our supportive social fabric. Government will maximize the value of these public assets by balancing protection of the physical environment with sustainable economic activity in our natural resource sector.

The health of our communities is equally important to our economic prosperity, our individual well-being and the sustainability of our physical environment. Government will promote communities in which diversity is valued and British Columbians have a sense of personal and public safety. In addition, the provincial government is committed to increasing local autonomy.

The objectives and key measures to achieve this goal are as follows:

A. BRITISH COLUMBIA WILL HAVE SAFE COMMUNITIES

Measure: The number of personal and property crimes known to police per 1,000 population.

Target: Decrease the number of personal and property crimes from the 2001 baseline of 76.9 per 1,000 population.

Measure: The percentage of British Columbians reporting satisfaction with their personal safety from crime.

Target: Improve the percentage of British Columbians reporting satisfaction with their personal safety from crime from the 2001/02 baseline of 86 per cent to 88 per cent in 2005/06.

B. BRITISH COLUMBIANS WILL PRACTISE SUSTAINABLE RESOURCE DEVELOPMENT

Measure: The percentage of land and water tenure applications processed within established turnaround times as an indicator of quality of service delivery.

Target: By 2005/06, 90 per cent of applications will be processed within 140 days from the 2001/02 baseline of greater than 400 days.

Measure: The hectares of Crown and forest land in British Columbia certified by major forest certification processes.

Target: By 2005/06, increase the proportion of forest certification by 30 per cent from the 2001/02 baseline of 7.7 million hectares.

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The percentage of monitored communities achieving the Canada-wide standard (CWS) quality objective of amount of fine particulates in the air under 2.5 microns per cubic metre (PM 2.5).	By 2005/06, 100 per cent of communities monitored achieve, or continue to achieve, the CWS for PM 2.5 from the baseline of 10 communities in 2000.
The per cent of waterworks within a health region with multiple samples with detectable fecal coliform bacteria or E. coli.	No detectable fecal coliform bacteria or E. coli per 100 mL sample by 2005/06.
The trends in environmentally significant variables, such as metals and nutrients, that indicate the health of water for 30 water bodies monitored under the federal-provincial agreement.	Maintain or improve water quality trends for water bodies monitored under the federal-provincial agreement by 2005.

4. BRITISH COLUMBIANS WILL HAVE SUSTAINABLE NATURAL RESOURCES

The amount of new electricity produced from environmentally responsible sources.	By 2005/06, at least 50 per cent of new electricity supply will come from environmentally responsible sources.
The percentage of known native species that are threatened or endangered in the province.	Improve on the province's 2000 baseline of 16.2 per cent for species of birds, mammals, reptiles, amphibians, freshwater fish, ferns and orchids at risk.

Expedite economic development by increasing access to Crown resources	Sustainable Resource Management, Agriculture, Food and Fisheries, Energy and Mines, Forests
Promote resource investment opportunities within and outside of British Columbia	Competition, Science and Enterprise, Energy and Mines, Forests, Agriculture, Food and Fisheries, Sustainable Resource Management
Develop market-based pricing regimes which include fair value for the province's resources	Competition, Science and Enterprise, Energy and Mines, Agriculture, Food and Fisheries, Sustainable Resource Management
Complete priority land use plans to identify and facilitate economic opportunities	Sustainable Resource Management
Develop and implement the Working Forest Initiative to increase land base certainty, enhance long-term forestry management and streamline land use decision processes	Sustainable Resource Management
Implement initiatives that improve economic development opportunities for First Nations	Sustainable Resource Management, Energy and Mines, Forests
Implement the government's energy policy to ensure secure and reliable energy supplies, create investment opportunities for the private sector and environmentally responsible energy development and use	Energy and Mines
Determine the future direction of offshore oil and gas development	Energy and Mines, Intergovernmental Relations
Develop partnerships with industry and other stakeholders to provide opportunities for more effective, efficient and innovative management of Crown resources	Agriculture, Food and Fisheries, Energy and Mines, Forests, Sustainable Resource Management, Water, Land and Air Protection
Provide access to integrated land, resource and geographic information for government, industry and public use	Sustainable Resource Management
Maintain policies to ensure that Crown land and resource decisions are informed by First Nations interests	Sustainable Resource Management, Energy and Mines, Forests
Work with the federal government to integrate federal and provincial policy and legislative frameworks for environment, agriculture, food and fisheries to ensure the province receives its fair share of federal funding, as well as securing greater effectiveness in management and control of the fisheries resource	Water, Land and Air Protection, Agriculture, Food and Fisheries, Intergovernmental Relations

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Establish workable relationships with First Nations communities	All Ministries
Develop and implement a Community Charter	Community, Aboriginal & Women's Services
Aggressively support the 2010 Olympic Bid	Community, Aboriginal & Women's Services; Competition, Science & Enterprise; Intergovernmental Relations; Transportation; Water, Land & Air Protection; Sustainable Resource Management
Modernize safety legislation, regulations and codes	Community, Aboriginal & Women's Services
Sponsor a provincial strategy that promotes physically active living through active schools, active communities and organized sport	Community, Aboriginal & Women's Services; Education; Health Planning; Health Services
Implement a provincial housing strategy to address market and non-market housing needs	Community, Aboriginal & Women's Services
Ensure that the planning priorities of the Regional Transportation Committees are reflected in the Provincial Transportation Strategic Plan	Transportation
Integrate overlapping and duplicate police services	Public Safety & Solicitor General
Focus liquor control enforcement and inspections on public safety issues such as service to minors, over service, overcrowding and illicit alcohol	Public Safety & Solicitor General

A strong and vibrant provincial economy	British Columbia will have a skilled workforce	● Percentage of labour force with post secondary certificate, diploma or degree ● Percentage of workforce employed in natural and applied science as a percentage of total employment
	British Columbia will have a prosperous economy	● Real GDP per capita ● Real GDP per hour worked ● Gross fixed business investment as percentage of GDP
	British Columbia will have employment opportunities	● Employment to population ratio ● Real personal disposable income per capita ● Net new jobs in British Columbia
	Government will be affordable and fiscally responsible	● Balanced budget ● Taxpayer supported debt ● Provincial government expenditure as percentage of GDP
A supportive social fabric	British Columbians will be healthy	● Potential years of life lost ● Low birth weight ● Status Indian infant mortality
	British Columbians will be educated	● Percentage of population completing university education ● Percentage of students who start Grade 8 and graduate from Grade 12 within six years ● Percentage of students meeting or exceeding expectations in Grade 4 reading
	British Columbia will have a fair and efficient system of justice	● Small claims settled through out-of-court mediation ● Adult offenders who do not re-offend for two years following corrections supervision ● Days to disposition from first appearance for criminal cases
	British Columbians will be self sufficient	● Percentage of population on income assistance ● Percentage of British Columbians on income assistance who are employable ● Aboriginal self sufficiency
Safe, healthy communities and a sustainable environment	British Columbia will have safe communities	● Personal and property crime rate ● Reported satisfaction with personal safety from crime
	British Columbia will practice sustainable resource development	● Timeliness of land and water tenure applications processing ● Hectares of certified Crown and forest land
	British Columbia will have a healthy physical environment	● Air quality to Canada-wide Standard ● Waterworks with detectable fecal coliform bacteria or E. coli ● Health of monitored water bodies under federal/provincial agreement
	British Columbia will have sustainable natural resources	● Amount of new electricity produced from environmentally responsible sources ● Species at risk

The Strategic Plan is the guiding document for government, outlining its goals for the economy, our social fabric and our physical environment. It is the umbrella plan for individual ministry service plans, which provide greater detail on performance measures and strategies.

The strategies government will be undertaking to address some of our province's most difficult challenges are provided in outline in this document. Further details are included in ministry Service Plans, which are being tabled with the 2003/04 budget and this 2003/04-2005/06 Strategic Plan. Ministry Service Plans can be accessed on the government website at: http://www.gov.bc.ca/bcbudget.

We welcome your views, comments and ideas on the contents of this Strategic Plan.

Please send your comments to:

Office of the Premier
PO Box 9041
Station Provincial Government
Victoria, British Columbia V8W 9E1

You may also e-mail your comments to: premier@gov.bc.ca.

BUDGET SPEECH

BUDGET 2003

BRITISH COLUMBIA

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Budget 2003

BUDGET SPEECH

Delivered in the
Legislative Assembly
February 18, 2003
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Minister of Finance

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Budget 2003

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Budget Speech 2003

Opening

Mr. Speaker, almost two years ago our government laid out a plan to usher in a New Era of hope and prosperity for British Columbia.

We said that we would cut taxes to put more money back into British Columbians' pockets and stimulate job creation.

We said that we would make the changes necessary to restore confidence in our economy and unleash the power of private enterprise.

We said that we would focus British Columbian's hard-earned tax dollars where they're needed most — on patients, students and people in need.

We said that we would control government spending and get our fiscal house in order.

We said that the budget would be balanced in our third full budget, and that it would be done in an open, accountable way.

Indeed, we set that in law and established when exactly the budget would be tabled each and every year, for all the world to see.

So here we are once again, Mr. Speaker — the third Tuesday in February — budget day in British Columbia.

And I am pleased to report that not only is our plan on-track, but we are ahead of schedule and we are well on our way to a New Era of hope and prosperity.

... not only is our plan on-track, but we are ahead of schedule and we are well on our way to a New Era of hope and prosperity.

British Columbians now have the lowest personal income tax rate in Canada on the first $60,000 of income.

We now have competitive business taxes.

Consumer and business confidence is building and new investment is beginning to flow into our province.

And last year almost 78,000 new jobs were created for British Columbians.

Our economy grew at three times the rate that many expert economists predicted.

We not only maintained but increased health care funding by over $1.1 billion.

We not only maintained but *increased* health care funding by over $1.1 billion.

We protected education funding and increased per student funding by $127.

In 2002/03, for the first time in a very long time, if not ever, every single ministry will finish the year on or under its operating budget.

We are leading the nation by introducing the most open, transparent accounting system of any government in Canada — by making it the law to keep our books by Generally Accepted Accounting Principles.

We are leading the way with three-year rolling service plans that detail what we aim to do and how we plan to get there.

We have eliminated 233 agencies, boards and commissions; 1,000 unnecessary fees and licenses; and almost 38,000 needless regulations.

... every single ministry will finish the year on or under its operating budget.

And Mr. Speaker, I am happy to report that the often-difficult decisions and tough choices that are reflected in those plans and actions are beginning to pay off.

The deficit for 2002/03 will be at least $600 million lower than originally expected and if there are no unexpected events between now and March 31st, the deficit could be almost $1 billion less than forecast.

We are on track — not only to balance the budget — but to deliver surpluses in 2004/05 and in 2005/06.

And we will do that while injecting substantial additional funding over the next few years in education, health care, early childhood development, childcare, job training, and a range of community services.

We are on track — not only to balance the budget — but to deliver surpluses in 2004/05 and in 2005/06.

We will get out of the red and into the black by growing our economy and opening up every region of our province to new opportunities.

The budget I am introducing today will spur investment and job creation in high growth sectors with additional targeted tax reductions.

It will open up our transportation corridors and infrastructure, and leverage new opportunities for strategic investments under the Canada-B.C. Partnership and through public-private partnerships.

This budget will provide new support for revitalizing our forest industry and help support a new era of reconciliation and revenue sharing with First Nations.

It will open up the world to British Columbia through our financial commitment to the Vancouver Convention and Exhibition Centre and a successful 2010 Olympics bid.

It will open up unlimited potential for job creation throughout B.C. in energy, mining, technology, and small business.

Mr. Speaker, this year's budget builds upon the strategy for positive change and structural reform that lies at the core of the New Era that we were elected to deliver for British Columbia.

… a blueprint to live within our means and lead our province forward with confidence and resolve towards a brighter future.

It builds upon the Economic Heartlands Strategy that the Premier outlined in his State of the Province address.

It is a budget designed to open up British Columbia to new opportunity, new investment and new ways of improving service delivery.

It is a budget for British Columbians to build upon.

It is a blueprint to live within our means and lead our province forward with confidence and resolve towards a brighter future.

We have come a long way in a short time and it certainly hasn't all been easy or painless.

Nor is the road ahead by any means paved with gold.

There are hills yet to climb, bends yet to navigate; and bumps that must be endured before we reach our destination.

But there is renewed energy in our effort — our economy is on the rebound and our fiscal situation is rapidly improving.

We have a roadmap to prosperity and a budget to get us there.

Economic and Fiscal Update

Mr. Speaker:

We are nearing the end of the first year of the government's original three-year plan.

In terms of fiscal management, it's been a challenging but successful year.

Smart decisions and smart choices in 2002/03 have resulted in a lower-than-planned deficit, lower capital spending, and lower-than-forecast debt.

Smart decisions and smart choices in 2002/03 have resulted in a lower-than-planned deficit; lower capital spending; and lower-than-forecast debt.

It's about having choices, and the flexibility to deliver quality services to British Columbians — without irresponsibly mortgaging our children's futures.

Because of this, we are able to immediately redirect $112 million to students, children in need, and patients. We have also freed up $275 million, which we can redirect to help with the transition to a revitalized and sustainable forest sector.

And while doing all this, our deficit for 2002/03 is forecast to come in at $3.8 billion — $600 million lower than planned.

And — for the benefit of current and future generations — the year-end debt will be $3.5 billion lower than forecast.

These are encouraging results, Mr. Speaker.

But good fiscal management is about more than numbers.

It's about having choices, and the flexibility to deliver quality services to British Columbians — without irresponsibly mortgaging our children's futures.

And the government's good fiscal management over the past year has built a stronger, more sustainable foundation, from which we will continue moving forward with our plan.

Looking ahead, we expect the Canadian economy to grow by slightly more than three per cent per year through 2003 and 2004. And, according to the OECD, Canada and the U.S. will continue to lead G7 economic growth.

B.C. will be well positioned to take advantage of this growth — thanks to the government's work to open up the province and make it more competitive.

... we expect the B.C. economy to grow by 2.4 per cent in 2003 — increasing to three per cent in 2004 and beyond.

Tax reductions, deregulation, sector-specific growth strategies and new infrastructure will continue to improve the investment climate, and we expect the B.C. economy to grow by 2.4 per cent in 2003 — increasing to three per cent in 2004 and beyond.

In 2003/04 — the second full year of the original three-year fiscal plan — I am forecasting a deficit of $2.3 billion, which incorporates a $500 million forecast allowance.

Revenues will rise by over $1 billion. Spending will decline by $675 million. And, provided there are no unexpected circumstances requiring a draw on the forecast allowance, the year-end deficit will be $1.8 billion — just as planned one year ago.

In 2004/05, spending will fall by a further $565 million. Revenues are expected to rise by almost $1.3 billion, resulting in a year-end surplus of $50 million.

We're on our way to realizing our vision for British Columbia: A prosperous and just province whose citizens have every opportunity to achieve their full potential, and are excited and confident about their future.

In the final year of our current plan, 2005/06, we expect a surplus of $275 million — over and above funding lifts for education, advanced education, social services, child protection, and further initiatives to grow our economy.

The taxpayer-supported debt-to-GDP ratio will peak in 2003/04 at 23 per cent — two percentage points below the original plan. The ratio is forecast to improve to 21.1 per cent by 2005/06.

As the numbers show, our plan is working. We are moving forward. In fact, we're doing better than planned.

We're on our way to realizing our vision for British Columbia: A prosperous and just province whose citizens have every opportunity to achieve their full potential, and are excited and confident about their future.

That's what we're working for. And, Mr. Speaker, we're getting there by focusing on our three central goals:

- restoring sound fiscal management;
- putting patients, students and people in need first; and
- revitalizing the economy.

I want to address all three today — starting with the benefits the province is beginning to see from our work to restore sound fiscal management.

SOUND FISCAL MANAGEMENT

Mr. Speaker:

When this government first took office 21 months ago, the province was in serious fiscal and economic trouble. And an independent fiscal review panel confirmed it.

Government spending had increased, year over year, through most of the '90s — far outpacing revenue growth and creating a massive structural deficit.

This unaffordable, unsustainable path posed a huge risk to the future of our province.

British Columbia used to be an economic powerhouse, but in 1999 we became a have-not province.

It drastically reduced not only our ability to provide the kinds of services people want and need but also our ability, as a province, to make choices.

This government knew — and we were very clear about — the critical need to restore good fiscal management, and to put government programs on a sound, sustainable footing.

That is why, a year ago, we began the difficult task of getting the government's fiscal house in order — and we are getting the job done.

As I mentioned earlier, the year just ending will see every ministry operating on or under budget for the first time in a long time. And millions of dollars — freed up by sound fiscal management — are being redirected to high-priority programs and initiatives.

... the year just ending will see every ministry operating on or under budget for the first time in a long time.

And millions of dollars — freed up by sound fiscal management — are being redirected to high-priority programs and initiatives.

That's exciting news. And that's what we've been able to do in just one year.

Think of what we can do — and how far this province can go — as the benefits of good fiscal management compound further.

Mr. Speaker: I think a lot of people would be surprised to learn that the third-largest ministry in government — in terms of gross spending — is not a line ministry at all. But it's what I call the Ministry of Public Debt.

Interest costs eat up more of our tax dollars every year than any ministry outside Health and Education.

We need to balance the budget so we can start paying down the provincial debt. And then we'll see the benefits of reverse compound interest.

The lower our debt, the less interest we pay — and the more choices we have about how we use people's hard-earned tax dollars.

The lower our debt, the less interest we pay — and the more choices we have about how we use people's hard-earned tax dollars.

If we stay the course, the choices will be ours to make in British Columbia. And we will be able to look back and say it started here — with our first full year of sound fiscal management.

I would like to take this opportunity to thank all the public service staff who made this possible.

I also want to acknowledge the contributions of my colleagues, who put not only their reputations, but also part of their paychecks, on the line every year.

Once again, all members of Cabinet, including the Premier, will start the new fiscal year with a 20 per cent holdback on their ministerial salaries.

Ministers will be able to earn back half of that amount by meeting their ministry targets. The other 10 per cent will be paid out only if we meet or beat our bottom-line target as government.

We did it in 2002/03. And we're just as determined to meet our targets in 2003/04.

Every government MLA is dedicated — personally, as well as professionally — to carrying out our plans, and being fully accountable to the people of this province.

The numbers show our plan is working. Spending is under control. And, as the economy strengthens, we will be investing more — as planned, and as promised — in the high-quality services British Columbians count on.

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Spending is under control.

And, as the economy strengthens, we will be investing more — as planned, and as promised — in the high-quality services British Columbians count on.

PUTTING PATIENTS, STUDENTS AND PEOPLE IN NEED FIRST

Health Care

Health care is, of course, our most essential public service.

It also represents the greatest service challenge for government — and the single largest draw on provincial revenues.

We've all heard and seen, either first-hand or in the media, the challenges that exist in the health care system.

They are not new. They have been there for years. So what should we do about them?

Well, we have a choice to make:

We can continue to do what previous governments did — add more money but don't change anything. But don't be surprised if we just get the same unacceptable results — and pay more to get them.

Or we can choose a different path, a path that is more difficult, a path that requires courage, determination and hard work.

- Courage to make big, structural changes to a system that needs a massive overhaul, if it is to survive;
- Determination to stay the course, remain focused on patients, and not be threatened by those who think the system is there to serve them first, and patients second.

We're making changes in health care — improving the system, and curing its ills.

- And hard work — to actually get the job done; to go in to work every day and — every day — make at least one thing better.

Well, Mr. Speaker. We've made the choice. And we reject the path of inaction.

We choose the path of courage, determination and hard work, and we are going to get this job done.

We're making changes in health care — improving the system, and curing its ills. And, even though it takes time to turn a system around, we are already seeing significant progress.

The number of health authorities has been reduced from 52 to six, to improve efficiency and accountability. At the same time, total funding to health authorities has risen by about seven per cent.

Administrative costs within the health ministries are being reduced by approximately 45 per cent — freeing up more resources for front-line services.

Province-wide standards for patient care are now in place to ensure health dollars are being spent effectively.

Province-wide standards for patient care are now in place to ensure health dollars are being spent effectively. And all health authorities are preparing three-year service plans and performance reports, focusing on health care improvements.

More doctors and nurses are working in the province — and receiving some of the best wages and benefits in the country.

We're training more professionals, as well — with over 1,400 new college and university spaces for registered nurses, licensed practical nurses and care aides over three years.

... all health authorities are preparing three-year service plans and performance reports, focusing on health care improvements.

By 2005, we will also fully fund 224 first-year medical school spaces — to nearly double the number of doctors graduating every year by 2009. That means better care, and shorter waits — in the emergency room, for surgery, and for treatment by specialists.

As these and other improvements come on stream, they're making a real difference for patients in every part of the province. And let me cite a few examples, because you won't see them on the news or read about them in the paper:

Home-support clients on Vancouver Island received thousands of hours of additional service in 2002.

People in the Okanagan no longer have to go to Vancouver for MRI scans, because they have their own MRI machine in Kelowna.

And the new autism program at B.C.'s Children's Hospital reduces the wait for evaluation by almost a full year — which can make a world of difference in a child's life.

At B.C. Women's Hospital, we now have the country's first-ever consolidated program for new mothers, and their babies, struggling with addiction. On top of delivering better care, and a brighter future for hundreds of families, this new program — because it brings resources together — will actually reduce costs by approximately $350,000 a year.

It will save us money and deliver better health care.

Speaking of saving money, while improving care and treatment, we're also seeing great results from new approaches such as tele-medicine — using technology, rather than travel, to bring patients and doctors together.

It saves time, it saves money and — most important — it gets better results for patients… as was the case recently in Williams Lake.

A child suffered a fracture and went to the local emergency room.

The attending doctor took an x-ray and transmitted the image to specialists in Kamloops electronically, instead of by mail or courier.

The child was flown to Kamloops, had orthopaedic surgery, and was back home in Williams Lake within two days. And that's a huge improvement over how things used to be.

As you can see, the benefits of change are adding up. And these are just a few examples of how the system's improving — thanks to good planning and innovative thinking.

We will be making many more improvements in the years ahead.

With the $1.1 billion increase we made last year, B.C.'s $10.4 billion health budget provides among the highest per capita health spending in the entire country.

With the $1.1 billion increase we made last year, B.C.'s $10.4 billion health budget provides among the highest per capita health spending in the entire country.

I am also announcing today an increase in the tobacco tax. Effective midnight tonight, the tax on a carton of cigarettes will increase by $2 — to match the tax rates in the other western provinces. We hope this move will encourage more people to quit smoking, thereby reducing some of the pressure on the health system.

And, we are moving ahead with several new initiatives — funded with savings that result from prudent management in the fiscal year just ending. The Michael Smith Foundation will receive an $8 million

... as a result of the First Ministers' Accord on Health Care, we expect to receive approximately $1.3 billion in new federal funding over the next three fiscal years.

grant to conduct research to improve the effectiveness of health care reforms. Health Authorities will also receive $15 million in grants to support the development of electronic health records systems that promise to improve the quality and continuity of care for patients across the province.

And there will be additional health care announcements in the weeks ahead.

Finally, as a result of the First Ministers' Accord on Health Care, we expect to receive approximately $1.3 billion in new federal funding over the next three fiscal years.

The figures are not yet final. But our current expectation is that health spending will increase by $325 million in 2003/04; $390 million in 2004/05 and $585 million in 2005/06.

In the coming weeks, we will introduce final service plans for the ministries of health to reflect this additional funding. At the same time, we will introduce supplementary estimates for health spending in 2003/04, and set targets for the ministers that reflect the new funding levels.

This will ensure that every cent of the new federal funding goes to health care.

It will be used:

- to sustain our plan to build a better health care system;
- to continue reforms in primary care, home care and catastrophic drug coverage; and
- to ensure appropriate levels of diagnostic and medical equipment, training and services.

These improvements will build on the significant progress already made towards our vision of a quality health care system that meets patients' needs — and always puts patients first.

... an extra $51 for every student in our schools. That is in addition to the one-time funding of $50 million that was allocated to school boards last week.

Education

In education, we will continue to put students first. And today I am pleased to confirm a series of new investments in both the K-12 and advanced education systems.

The budget for the Ministry of Education will be $4.8 billion for the coming year. Because of declining enrolment, that translates into an extra $51 for every student in our schools. That is in addition to the one-time funding of $50 million that was allocated to school boards last week.

This one-time funding is a direct result of prudent fiscal management, and lower than anticipated debt-servicing costs.

And now it is the children of this province who will benefit, as tens of millions of dollars that would have gone to bankers in places like New York, London and Toronto go, instead, to classrooms across British Columbia.

In 2004/05, the Ministry of Education's budget will increase by more than $80 million, with a further lift of $60 million in 2005/06 — boosting per-pupil funding by another $192 a year.

Not counting one-time funding, the annual budget for the Ministry of Education in 2005/06 will be over $140 million higher than it is today — with a total lift of $243 per pupil.

Not counting one-time funding, the annual budget for the Ministry of Education in 2005/06 will be over $140 million higher than it is today — with a total lift of $243 per pupil.

I can also confirm today that the Ministry of Children and Family Development will continue to offer school-based programs — such as school meals and inner-city school funding — aimed at helping children in need succeed in the classroom.

Over the coming months, the ministry will work with parents and school districts to improve those services and get better value for the money we invest.

And more funding is on the way to higher education, as well.

Advanced Education

The Ministry of Advanced Education will target $23 million in one-time funding to enhance research in our universities and colleges. This is another year-end dividend from prudent fiscal management.

$18 million will be targeted to the Leading Edge Endowment Fund — a partnership with the private sector.

This fulfills — two years ahead of schedule — our $45 million commitment to fund 20 B.C. Leadership Chairs across the province in medical, social, environmental and technological research. And we will go further… funding an additional six B.C. Regional Innovation Chairs in the college sector.

The balance of the one-time funding will support the advancement of the province-wide B.C. Campus online learning model, and accelerate the medical school expansion program under way at UBC, UNBC and UVic.

These initiatives help to make higher education more accessible to students across the province — and ensure that British Columbia has

These initiatives help to make higher education more accessible to students across the province — and ensure that British Columbia has enough of the highly-skilled professionals we need to build a stronger economy, and a better quality of life.

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In addition, the Ministry of Advanced Education will receive an annual budget lift of $30 million, starting in 2005/06.

Families, Communities and Protecting those in Need

Mr. Speaker.

As we move forward with our plan for the province — revitalizing the economy, balancing the budget and delivering sound fiscal management — we will be investing more in other services, as well:

Before the end of 2002/03, the Ministry of Children and Family Development will invest $10 million in an Early Childhood Partnership Fund, with the United Way and Credit Union Central B.C.

That $10 million is yet another enhancement that has been made possible through our prudent fiscal management.

Starting April 1st, the ministry will also invest up to $11 million a year in additional funding for intervention for school-aged children with autism spectrum disorder. And the ministry's budget will increase by $23 million in 2005/06.

The Ministry of Human Resources' budget will also rise in 2005/06, by $45 million. And the ministry is enhancing some of its programs in the year ahead.

It is investing $110 million in employment programs for people in need. It will also increase the earnings exemption for people with disabilities who receive income assistance. Starting this spring, they will be able to earn up to $400 a month — on top of their assistance from the province.

... increase the earnings exemption for people with disabilities who receive income assistance. Starting this spring, they will be able to earn up to $400 a month — on top of their assistance from the province.

And the Ministry of Community, Aboriginal and Women's Services is increasing by 50 per cent the number of child care spaces eligible for subsidy assistance in the coming year.

The Solicitor General's ministry will continue to assist community organizations, by maintaining charity top-up grants over the next three years.

In addition, we will delay by one year the move to have the province's rural areas and communities with populations under 5,000 begin to pay a share of their policing costs. This will allow the Solicitor General to work with local governments to develop a broader policing strategy for the province.

REVITALIZING THE ECONOMY

Mr. Speaker. These improvements in services to people and communities are possible for two reasons:

1. Because we're getting our fiscal house in order, and
2. Because we've started to revitalize the economy, and overcome the challenges that mounted over the 1990s.

B.C. entered the new millennium saddled with some serious problems:

High taxes, red tape and over-regulation had contributed to an extremely hostile business environment.

Investors were fleeing the province. Businesses were closing. And young people were leaving, and building their futures elsewhere.

Our standard of living declined. And British Columbia — so long an economic powerhouse — slid from its traditional role as a leader in this country to become Canada's newest have-not province.

The people of this province knew there was something wrong. They felt it in their bones and they saw it in their pocketbooks.

At election time, they had a choice. And they rejected the status quo.

Instead of four more years of economic decline, they chose to begin the hard work of rebuilding this province, and making British Columbia, once again, a place where our future is brighter than our past.

... making British Columbia, once again, a place where our future is brighter than our past.

They chose this path by an overwhelming majority. They trusted the government to lead them on this path. And today, I say to British Columbians:

We will not let you down.

We will stay the course. We will be true to the task you gave us.

And we will get the job done.

Clearly, it will take time to undo the damage our economy suffered in the 1990s.

But it's equally clear, Mr. Speaker, that the economy is improving.

... the economy is improving.

In 2002/03, it grew by nearly two per cent — almost three times the rate projected by the Economic Forecast Council a year ago January.

In 2002/03, it grew by nearly two per cent — almost three times the rate projected by the Economic Forecast Council a year ago January. And that growth made a real difference for British Columbians — for individuals, families, communities and businesses:

Perhaps most significantly, thousands more people are working today, compared to a year ago. The province created almost 78,000 new jobs during 2002 — outpacing job growth in most of the rest of the country, and providing a wealth of new opportunities.

This past summer — for the first time ever — more than two million British Columbians were at work in our province.

In 2002, housing starts were up by over 25 per cent — the strongest annual growth in a decade. Housing sales are booming.

Consumer confidence remains strong. And thousands of British Columbians are now moving successfully from income assistance to employment.

The province created almost 78,000 new jobs during 2002 — outpacing job growth in most of the rest of the country, and providing a wealth of new opportunities.

Small business owners, surveyed recently, overwhelmingly said they will increase, or at least maintain, full-time employment levels in 2003.

And the province's moves to attract investment keep on paying dividends.

Let me mention just a few because you probably won't see them on the TV news or in the paper:

- New call centres opened in Prince George, Chilliwack and Central Saanich, creating over 3,200 new jobs.
- HMY Airlines recently started a charter business out of Vancouver Airport — creating up to 300 new jobs.
- And we're seeing a steady stream of expansions and improvements to ski resorts and other tourist operations in heartland communities like Golden and Invermere.
- In Greenwood, Gold City Industries is working to open a new mine that could create up to 100 new jobs.
- In Vernon, Tekmar is expanding its heating system business — creating 65 new jobs in the Okanagan.
- Duke Energy Gas Transmission is putting over $60 million into its new Grizzly pipeline extension — creating more than 400 construction jobs, and boosting the economies of a number of northern communities.
- In the Fraser Valley, Rogers Foods recently announced the single largest industrial investment in Chilliwack's history — pumping $20 million into a new flour mill and generating 20 new jobs — just to start.

... thousands of British Columbians are now moving successfully from income assistance to employment.

- In Surrey, RMH Teleservices is building a new, multilingual customer service centre, creating 1,000 new jobs. Over the last 18 months, the company has also added 600 jobs at its centre in Nanaimo.
- In Port Alberni, two First Nations have teamed up with Polaris Minerals to open a quarry — creating 230 jobs.
- And mining giant Noranda has returned to the province for the first time since the early 90s — because, to quote a top Noranda official: "BC's new government is making positive changes to make it worthwhile to invest here again."

Almost 78,000 new jobs in B.C. during 2002 alone.

That's the kind of positive change that's happening Mr. Speaker. And we expect to see it gain momentum in the years ahead.

To help ensure that happens, we are taking further action now to build a vibrant economy, right across this province.

That means, first of all, opening up British Columbia — with a multi-year plan to meet the province's transportation needs… and bring new growth, and new opportunity, to people in every part of the province.

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Transportation

The transportation plan was announced last week.

Today, I can confirm that the province is dedicating $650 million to its implementation in the next three fiscal years.

The largest share — $225 million — will go to northern and heartland roads, which account for over 70 per cent of our highway inventory. This investment will further support our resource industries, as well as improving the quality of life for people in northern and heartland communities.

We will invest $30 million in ports and airports — including work to expand the Cranbrook Airport and open up the Kootenays to further economic growth; and work to create container capacity at the Port of Prince Rupert — diversifying its operations and helping to generate new investment and job creation, all along the province's Northwest Corridor.

We will invest $93 million in border crossing infrastructure, and $132 million in major highway corridors.

We will invest $170 million in other improvements, including highway rehabilitation.

We will keep the inland ferry system toll-free.

And — Mr. Speaker — we will make these investments without increasing the overall public debt. Instead, we will dedicate funding from a variety of sources.

We will keep the inland ferry system toll-free.

Some will come from federal contributions - which is only fair, considering that British Columbians send about $750 million a year to Ottawa in the form of fuel taxes.

Where appropriate, some of the money will come from tolls.

And another portion of revenues will come from the private sector, as we move forward and explore opportunities for innovative approaches such as public-private partnerships.

Over the next three years, we will use our $650 million contribution to leverage more than $1.7 billion in additional investments to help fund additional projects… such as rapid transit between Vancouver and Richmond, and a long-overdue upgrade to the Trans-Canada Highway through the Kicking Horse Canyon between Golden and the Alberta border.

Other important projects include a new bridge across Okanagan Lake in Kelowna, and upgrading the Sea to Sky Highway.

Every single dollar from the tax increase will be dedicated to transportation, and used to continue opening up British Columbia.

The provincial contribution will come from revenues from the fuel tax increase announced last week.

Every single dollar from the tax increase will be dedicated to transportation, and used to continue opening up British Columbia.

And let me just remind the House that, when we invest in transportation, we're also investing in job creation and economic growth.

If we want tourism, and forestry, and mining, and the energy industry, and all our vital industries to thrive, we must have a transportation system we can count on to keep goods and services — and people — moving.

Better transportation networks help the environment, too.

For example, expanding rapid transit will take thousands of cars off Lower Mainland roads and reduce the time that vehicles are gridlocked — idling, burning fuel and pumping emissions into the air we breathe.

Then there are the benefits that can't be quantified — like the value of knowing an ambulance can reach you when you need it, or knowing that your children can travel safely on the school bus.

These new transportation projects will benefit all regions and all communities… and they will be the driving force that opens up our province to a brighter future.

These new transportation projects will benefit all regions and all communities… and they will be the driving force that opens up our province to a brighter future.

Bold action to build transportation infrastructure is absolutely essential if we want that brighter future. So is action to strengthen and modernize our No. 1 industry: forestry.

Forests

Mr. Speaker: It's no secret that many forest communities are facing hardship and uncertainty.

The softwood lumber dispute is probably the single biggest damper on the B.C. economy — and people across this province are living with the fallout from the changes and challenges the industry has grappled with, over the past decade.

Even before the latest softwood dispute, misguided policies were hurting the industry — making it less competitive, and discouraging reinvestment. And every single person in British Columbia was affected.

Annual stumpage revenues — revenues that support needed services like health care and education — fell by a third… from $1.8 billion in 1997, to $1.2 billion in 2002.

And during those five years, almost 15,000 people who worked in the forests lost their jobs.

Whole communities felt the blows as mills closed, businesses closed, and forest companies struggled with issues like rising debts and falling profits.

In spite of those changes, in spite of those challenges, forestry is still our No. 1 industry. But it won't be for long if we don't act now to reverse the slide of the last 10 years.

… forestry is still our No. 1 industry. But it won't be for long if we don't act now to reverse the slide of the last 10 years.

We're working with the federal and U.S. governments, and the B.C. industry, to resolve the softwood lumber dispute. And that work will continue.

But we can't put the industry — and the lives and futures of thousands of British Columbians — on hold in the meantime.

We are determined to help build a leading-edge forest industry… one that offers certainty and stability for the families and communities that depend on it.

We are determined to help build a leading-edge forest industry … one that offers certainty and stability for the families and communities that depend on it. And we have already taken important steps in that direction.

We have a new *Forest and Range Practices Act* — a streamlined, results-based replacement for the old, bureaucratic Forest Practices Code.

We're working with the industry to restore our historic competitiveness through market reforms.

And we're asking for public input on a proposal to designate 48 per cent of the province's land base as "working forest".

These are all important moves — but we have to do a lot more. And we will, Mr. Speaker — starting today.

We are setting aside $275 million in 2002/03 to assist in the transition to a revitalized and sustainable forest sector.

We are setting aside $275 million in 2002/03 to assist in the transition to a revitalized and sustainable forest sector. This is a one-time restructuring cost — over and above the operating targets covered by the *Balanced Budget and Ministerial Accountability Act*.

This restructuring cost can be accommodated within our fiscal plan, once again, thanks to the added flexibility generated by strong fiscal management.

We are also committed to increasing First Nations' participation in the forest economy.

Funding is earmarked in this budget for revenue-sharing arrangements with First Nations that want to help revitalize the forest industry in their traditional territories. Revenue distribution will be negotiated with First Nations — in exchange for legal certainty that allows all regions and all British Columbians to prosper from our resource industries.

Specific allocations are $15 million in 2003/04, $30 million in 2004/05, and $50 million a year by 2005/06.

All of these reforms will move us closer to our vision of a leading-edge industry that's globally recognized for its productivity and environmental stewardship.

The Minister of Forests will announce further action to achieve this vision in the weeks ahead.

Sector-Specific Tax Changes

Along with renewing our No. 1 industry and opening up the province to growth and investment …

A third key priority is our ongoing commitment to maintain a competitive tax environment, to ensure that this is a province where businesses and families can grow and prosper, and build successful futures.

The tax cuts we implemented during the last year and a half have already bolstered consumer and business confidence. Overall, we have implemented 27 measures — reducing the net annual tax burden for companies by more than $550 million, and the annual burden for individuals by almost $900 million.

We're also seeing good results from sector-specific changes, such as those we introduced in the energy and mining sectors.

B.C. is fast becoming the province of choice for natural gas exploration — thanks in part to our forward-looking energy plan.

Mineral exploration investment has increased by 25 per cent since the spring of 2001.

Companies like Noranda are working here again. And Redfern Resources is set to open a new mine, creating over 300 direct and spinoff jobs in the North by 2006.

With these results in mind, today I am announcing another series of sector-specific, targeted tax changes — each designed to foster the growth and diversification B.C. needs for a strong, healthy economy.

The first four changes I'm announcing will encourage the further success of our arts and culture sectors. Along with supporting economic growth, they will build on the province's growing reputation — not just as Hollywood North, but as a place of unique artistic inspiration and vision.

First, we are providing $5 million in venture capital tax credits for New Media companies — one of the fastest-growing of our high-tech industries. The new credits, under the Small Business Venture Capital Program, will attract as much as $17 million a year in new investment.

We are putting another $5 million a year into a new, 15 per cent tax credit for productions using digital animation and visual effects. The credit will be on top of the existing film tax credits, and will pave the way for employment growth in this emerging sector.

We are also expanding regional tax credits for television and film projects outside Greater Vancouver to encourage more productions, like the Disney movie that's being shot in Prince George this spring.

… ***to ensure that this is a province where businesses and families can grow and prosper, and build successful futures.***

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… ***to foster the growth and diversification B.C. needs for a strong, healthy economy.***

The final change in the cultural sector will strengthen the publishing industry. We're introducing a tax credit for book publishers worth $[illegible] million a year.

We are also responding to the need for more venture capital — money for new and emerging businesses that large financial institutions may not support.

We're revamping the Small Business Venture Capital Program, making it easier for companies to access the funds they need for future growth and expansion.

We are also expanding the labour-sponsored venture capital program — increasing the budget for tax credits from $[illegible] million to $[illegible] million a year. This will allow the government to authorize a third fund to operate in the province. Over time, this new tax credit is expected to generate up to $[illegible] million a year in new investments.

A further change will benefit B.C.'s small trust companies and credit unions. We are raising the threshold for the corporation capital tax from $[illegible] million to $[illegible] million — saving these institutions a total of $[illegible] million a year.

We also expect good results from our final three tax changes — building on initiatives that were introduced earlier.

The B.C. mineral exploration tax credit is extended for another three years to 2006. The province will also match any extension to the federal mining flow-through share tax credit, which Ottawa is currently reviewing.

And finally, to help make B.C. a more attractive port of call for cruise ships, we are expanding the tax exemption on bunker fuel to include the marine gas oil used in ships with gas-turbine engines.

Mr. Speaker: These targeted tax changes invest a total of $[illegible] million annually by 2004/05, and they will support further economic growth.

In a similar vein, the government is moving ahead today with, potentially, one of the most significant economic development initiatives in the province's history — the bid to host the 2010 Winter Olympic Games.

… government is moving ahead today with, potentially, one of the most significant economic development initiatives in the province's history — the bid to host the 2010 Winter Olympic Games.

This budget includes $[illegible] million of our $[illegible] million commitment to the Games, which could add more than $[illegible] billion to our gross domestic product by 2020.

This budget also includes — over the next three years — $[illegible] million of our $[illegible] million commitment for the Vancouver Convention and

Exhibition Centre… which will add as much as $5 billion to our gross domestic product over time.

It will create as many as 5,000 person-years of employment in the construction phase, and thousands of jobs in related sectors, once the centre is up and running.

It's also a major investment in tourism. That's why the industry has agreed to contribute $90 million to the project. And the federal government is matching the provincial commitment of $230 million.

Conclusion

The budget I am tabling today is a plan for prosperity that is prudent, responsible and focused on the future.

The people of British Columbia gave our government a clear mandate to create a New Era of hope and prosperity — this plan delivers on that mandate.

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It will help revitalize our economy, restore sound fiscal management, and put patients, students and people in need first.

It will open up the heartlands of British Columbia to new growth and opportunity through strategic investments in transportation, tourism, forestry and the new economy.

This budget, as with all budgets, ultimately comes down to choices that must be made in spending British Columbians's hard-earned money.

There is no end of desirable social goals that could all benefit from extra funding.

There are no simple ways to balance competing interests that are all valid and hungry for public resources.

It will help revitalize our economy, restore sound fiscal management, and put patients, students and people in need first.

We do our best to make the most of the scarce resources that are available.

We plan and budget to spend those dollars where they will do the most good — to help people and to pave the way for the economic growth that pays for everything government delivers.

There is room for debate and disagreement on the choices made — and that's democracy.

We learn as we go and adjust ourselves accordingly – yet we remain ever focused on our mission and sure of our destiny.

But let there be no doubt — your government's course is clear.

With this budget, once again, we choose the difficult path of progress and reject the failed approaches and policies of the past decade.

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We choose to contain the growth of government and expand the economic growth that will sustain our social safety net for future generations.

We choose to act now, to balance the budget and build for tomorrow.

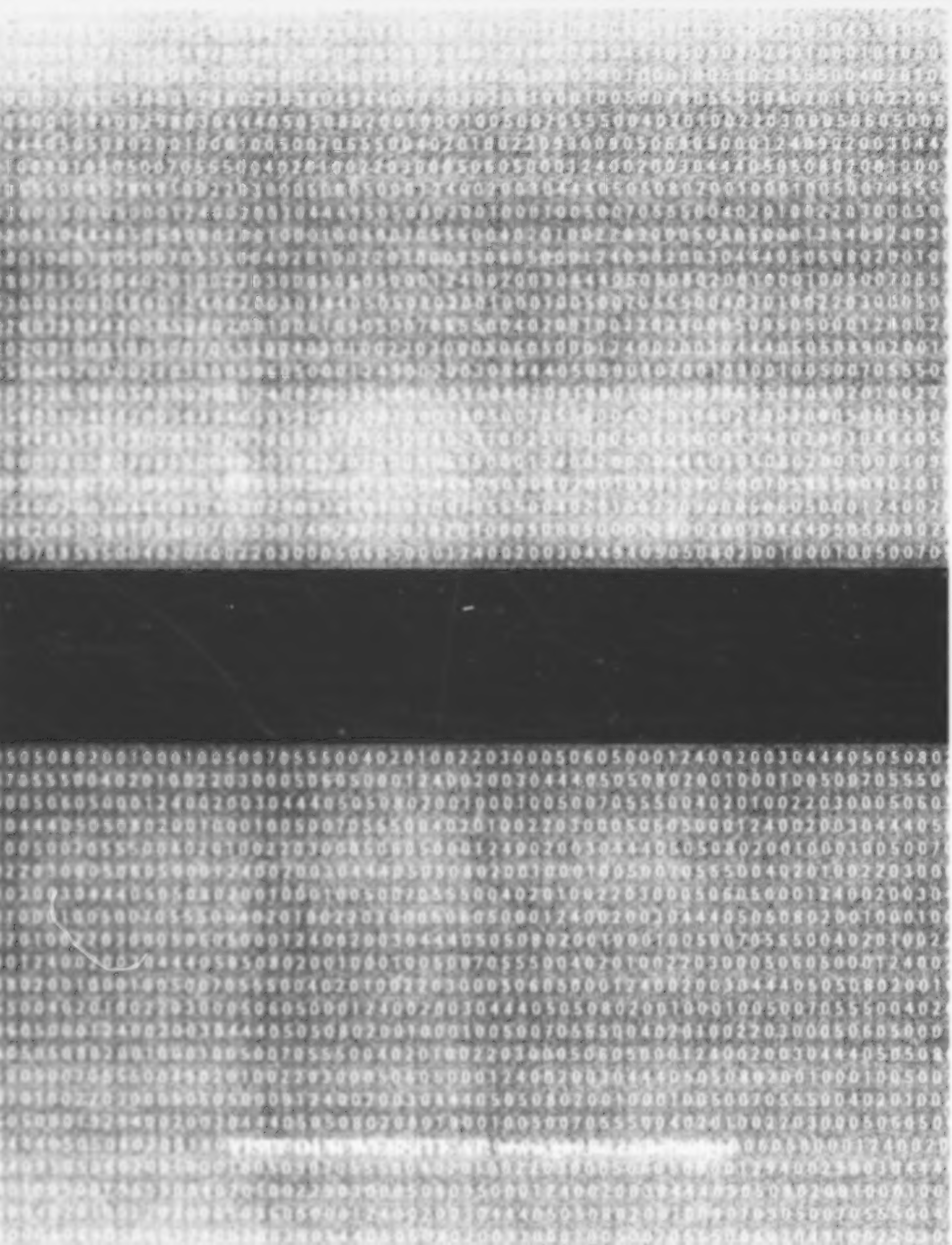
We choose to act now, to balance the budget and build for tomorrow.

Mr. Speaker, we have made progress — we are on-track and ahead of schedule — but we have only just begun.

There is yet more work to do.

Let's get back to work and let's get this job done.

Thank you.



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